Venture Capital in Canada

A Guide and Sources

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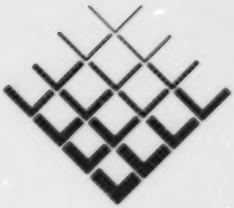

ASSOCIATION OF CANADIAN
VENTURE CAPITAL COMPANIES

1991 EDITION

Developed and prepared by

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Venture Capital in Canada

A Guide and Sources

Although venture capital has become a topic of growing interest in recent years in financial circles and in the business media, most entrepreneurial Canadian companies (and many of their professional advisors) find the venture capital industry somewhat confusing and do not have a good understanding of how it operates in Canada. This guide has been produced to help develop this understanding with a view to assisting entrepreneurial growth firms to evaluate the venture capital option and identify the best venture capital partner to meet their needs.

The Canadian venture capital industry has grown rapidly since the early 1980s. In days gone by, venture capital was the domain of a selected group of entrepreneurial investors. As a result, it was not generally seen as a financing alternative to be even considered by most young companies. And, given the limited supply of venture capital available, most companies in search of capital believed the venture capitalists held most of the negotiating power, making it difficult to reach a fair agreement and workable partnership.

But things have changed dramatically in the intervening years. Today venture capital is mainstream to the ongoing business of many private investors, pension funds, corporations, financial institutions, investment dealers, and professional business advisors. The amount of capital available for investment has increased sharply in the process, which in turn has increased the competition for good investment opportunities and balanced out the power between the venture capitalist and the entrepreneur.

In today's difficult economic environment, venture capital has become an even more important potential source of capital for entrepreneurs with which to finance the growth of their companies. Given the growth of the venture industry in Canada over the past five years, venture capital should certainly be on the list for serious consideration when a private growth-oriented firm is examining its financing options. But in many cases, the entrepreneurs running or starting these companies are not familiar with the process or the players. The Association of Canadian Venture Capital Companies (ACVCC) has published this guide in the hope that the information presented in it will help more Canadian entrepreneurs to assess the venture capital option and to find the right venture capital partner.

I An Introduction to the Association of Canadian Venture Capital Companies

The Association of Canadian Venture Capital Companies (ACVCC) was founded in July 1974 with three specific objectives:

- To promote the use of venture capital in Canada as an investment/financing tool.
- To represent the interests of venture capital investors to government agencies, other professional bodies and to the marketplace at large.
- To facilitate interaction, dialogue and communication amongst venture capital professionals.

Initial membership in the Association was 12, but has grown to almost 140. It is a composite membership, reflecting the goals of the Association. There are approximately 60 "full member" companies with funds under management, and, in fact the majority of the venture capital funds under management in Canada are represented by members of the Association. The balance of the membership is comprised of "associate members", individuals and firms with an interest in or affiliation to venture capital: professionals specializing in the provision of support services to the industry; private and institutional investors; government agencies.

The Association has, since its inception, recognized the plurality of its membership and has evolved a wide range of services and functions to meet its stated objectives, and, therefore implicitly, the needs of its members.

The Association actively and aggressively represents the interests of the venture capital industry to public and private entities which have an impact on the practice of venture capital investment in Canada. These representations include:

- A submission to the Senate Standing Committee on venture capital's role in stimulating investment in Canada
- A brief to the Canadian Institute of Chartered Accountants commenting on modifications to GAAP which would affect venture capital investees' tax positions

- A response to Ontario Securities Commission proposal to implement reporting requirements on venture capital management companies

- Compilations of research to demonstrate the industry's contributions to economic growth, employment, exports, etc. Such research reports include:

  - *Capital Formation Survey of Companies Financed by Canadian Venture Capital Sources*, April 1981

  - *Characteristics of Successful Companies Financed by Canadian Venture Capital Sources*, May 1984

  - *Economic Benefits of Venture Capital Investments in Canada*, September 1988

The Association has campaigned vigorously to promote the use of venture capital in Canada. It has worked in partnership with the federal government's ISTC to inform and educate members of the investment community on the capabilities of and uses for venture capital. It produces this Venture Capital Guide to provide the investment community with information on venture capital financing and means of accessing it. It sponsors Professional Development Programs to educate and inform its own members on investment opportunities, practices and issues.

The final objective of the Association has been to facilitate interaction amongst venture capital professionals and to encourage a fraternity within the industry that will foster improved intra-industry communications, a cohesiveness in working towards industry objectives, and a truly national organization. To this end, the Association hosts the annual Venture Canada Conference, organizes several speaker luncheons/dinners, circulates a newsletter, and compiles and distributes statistics on industry activity and performance.

With 140 members representing over $3 billion under management, the ACVCC will continue to actively represent the interests of the venture capital industry in Canada. Given the challenges facing the Canadian economy from increased competition, the creation of large trading blocs, the reduction of tariff barriers and the continuing evolution of technology, it is essential that Canada continue to develop and nurture successful growth-oriented, internationally-competitive companies. The ACVCC believes that venture capital plays a vital role in assisting companies in the achievement of their growth objectives and will continue to promote and support venture capital as a professional practice.

PAST PRESIDENTS OF THE ACVCC

Name & Term of Office	*Company Affiliation During Term*
Gerald Sutton July 1974 - April 1976	Canadian Enterprise Development Corp.
Paul Lowenstein April 1976 - June 1979	Innocan Investments Ltd.
George Fells June 1979 - Sept. 1981	SB Capital
Brian Marshall Sept. 1981 - Sept. 1983	Roymark Financial Services Ltd.
Earl Storie Sept. 1983 - Sept. 1985	VenGrowth Capital Fund
Archie McKinnon Sept. 1985 - Sept. 1987	Alta-Can Telecom Inc.
John Puddington Sept. 1987 - Sept. 1989	Trucena Investments Ltd.
Marc C. Vaillancourt Sept. 1989 - Sept. 1991	FBDB/VCI Management Inc.

ACVCC
1990-1991 DIRECTORS, OFFICERS & COMMITTEE CHAIRMEN

Directors

Marc C. Vaillancourt	FBDB/VCI Management Inc.
John Puddington	Trucena Investments Ltd.
Mark Leonard	Ventures West Management
Harry Mortimore	VenGrowth Capital Fund
Sandy Slator	Vencap Equities Alberta Inc.
Terry Norman	Keltic Inc.
Jean-Pierre Chartrand	Novacap Investments Inc.
Jacques Sayegh	Royal Bank Capital Corporation

Officers

President	Marc C. Vaillancourt	FBDB/VCI Management Inc.
Vice-President	Grant Brown	Canadian Corporate Funding Ltd.
Vice-President	Ralph Goldsilver	Mintz & Partners
Vice-President	Earl Lande	RoyNat Inc.
Secretary	Ted Anderson	Mintz & Partners
Executive Director	Deborah Cumming	
Legal Council	Michèle Belzile	Federal Business Development Bank
Treasurer	Dave Clark	

Committee Chairmen

Newsletter	Ralph Goldsilver Ted Anderson	Mintz & Partners Mintz & Partners
1991 Conference	Sandy Slator	Vencap Equities Alberta Inc.
1992 Conference	Bob Roy	Innovation Ontario Corporation
Professional Development	Linda Willis	Canadian Corporate Funding Ltd.
Research Management	Mark Leonard	Ventures West
Entrepreneur of the Year Award	Jacques Sayegh	Royal Bank Capital Corporation
Spring Luncheon	Jacqueline Serres	Fonds de Solidarite de la FTQ
Annual General Meeting	Rosamond Ivey	
Strategic Planning	Terry Norman	Keltic Inc.
Government Relations	Harry Mortimore Ron Begg	VenGrowth Capital Fund Working Ventures Inc.
Tax	Ian Morris	Vencap Equities Alberta Inc.

II What is Venture Capital?

Venture capital is often assumed to be speculative, high-risk capital invested in seed or very early stage companies. But, in fact, it has a much broader meaning than this. Broadly defined, venture capital is capital which is not secured by assets and is invested in or loaned to a company by an outside investor. It is often referred to as risk capital since it is not only unsecured, but generally lacks liquidity as well.

The willingness to take on the risk associated with a venture capital investment is rewarded with an opportunity to participate in the company's growth through equity, by owning a share of the company. The venture capitalist will not normally look to dividends or interest to provide the return on the investment commensurate with the risk, but will look instead for a capital gain, or an increase in the value of his shares in the company.

The cost to the entrepreneur, therefore, does not come in the form of interest or dividend payments, but in the equity which is sold to the venture capitalist. However, the benefits of an infusion of equity can be substantial. It is the equity capital that will provide the company with the financial muscle to embark on its growth course. The venture capitalist will be looking for those entrepreneurs who, with their companies, appear to have the attributes necessary to move along this growth course and, in time, become a medium or large company.

There is no question that venture capital is not an appropriate financing option for all, or even most private firms. But in the right situations, venture capital can be extremely valuable to a company in realizing its growth potential.

There are three criteria which differentiate venture capital from more conventional sources of capital. A venture capital investment typically

- involves equity or quasi-equity participation (owning common shares outright, or having the right to convert other financial instruments into common shares);
- is expected to be a long-term investment (generally for anywhere from three to eight years); and
- requires active involvement by the investors in the companies which they finance until they are sufficiently developed for disposition.

In short, the focus of venture investing is on business development for long-term capital appreciation. It is not confined to "technology" or to "start-ups", but spreads across all industry sectors and encompasses the whole spectrum of the business development cycle.

It is crucial to recognize at the outset that venture capital represents an active rather than a passive form of financing. All venture capitalists will strive to add value, beyond capital, to their investments in an effort to achieve a superior return at the end of the day. To do this requires some degree of active involvement, and almost all venture capitalists will, at a minimum, want a seat on the board of directors.

Since the venture investor takes more risk than conventional lenders (in anticipation of the potential returns), he also views this involvement as a means of providing some degree of protection for the investment. Venture capital therefore is not generally the best route for a company which is not prepared to deal with an active outside investor.

It is also important to recognize that the primary objective of venture capital investors is to achieve a superior rate of return through the eventual and timely disposition of investments. Although a venture capitalist invests for the long haul, that does not mean forever. A good venture capitalist will be considering potential exit strategies from the time the investment is first contemplated. However, since the returns to the venture capitalist on disposition will be a function of the health and growth of the investee company during the intervening period, entrepreneurs can rest easy. To be successful, the venture capital process must be mutually beneficial to both the investor and the investee.

Types of Financings: From Start-ups to Buy Outs

The old adage ... "you can't be all things to all people" ... has had some influence on the investment strategies of Canadian venture capital firms. Entrepreneurs who are just starting out typically have very different needs than those well established and ready to expand their companies. Many venture capitalists have found that their own skills are better suited to helping one type of entrepreneur than another. As a result, venture capitalists tend to define their investment preferences by stages in the business development cycle.

These stages are generally defined as:

Seed financing is normally provided to prove a concept. It may involve some product development but rarely involves any initial marketing.

Start-up financing is provided to companies for use in product development and initial marketing. Companies may be in the process of being organized or may have been in business for a short while (usually a year or less), but have not yet sold their product commercially. Generally firms looking for start-up financing would have assembled the key management and prepared a business plan.

First-stage financing is provided to companies that have expended their initial capital and started to sell their product, but require additional funds to initiate full commercial production and sales.

Second-stage financings generally support the initial expansion of companies that are making progress but may not yet be profitable.

Mezzanine financings (or third-stage expansion financings) provide capital for major growth expansion for companies whose sales are increasing and who are either breaking even or profitable. The funds are used for plant expansion, marketing, working capital or new product development. These financings often are done using subordinated debt instruments (unsecured loans) with equity kickers, or provisions which entitle the investor to some common shares if the company succeeds.

Leveraged buy out financings provide the capital to enable operating management or outside investors to acquire a product line, a division or a company. The assets of the companies involved in these transactions are normally highly leveraged to minimize the equity required.

These definitions should be used when examining the investment preferences of the venture capital firms identified in the directory at the back of this guide.

Although venture capital comes from broad and diverse sources, this guide focuses primarily on the professionally managed pools of capital that have been established for the purpose of making venture investments. The amount of capital committed to these groups and the investments made by them can be tracked on an ongoing basis, allowing for analysis which can be beneficial to entrepreneurs aspiring to secure venture capital. Informal venture capital, which often comes from private individuals willing to invest in attractive situations as they arise, plays an important role in financing young enterprises, particularly at the pre-venture stage, when an entrepreneur is still too far from the commercial market to justify an investment from a formal venture investor. However, these sources are not investing regularly and are difficult to identify in any sort of comprehensive fashion.

III Some Historical Background: A Quick Look Back

The Canadian venture capital industry of the 1990s is very different from that of the 1960s and 1970s. A quick look back at the development of the venture capital industry in Canada over the past few decades can provide some useful background for young companies wishing to access some of the capital available today.

The venture capital industry formally got its start in Canada in 1952 when the French and English-backed Charterhouse Canada Limited opened its doors. Charterhouse had the market pretty well to itself for the first six years and invested in some highly profitable ventures (including, for example, Bow Valley Resources). In 1958, Canada Overseas Investment Limited was established and another five years passed before the arrival of the third entrant, Canadian Enterprise Development Corporation (CED). CED was modelled after and partially funded by General Doriot's American Research and Development Corporation (ARD), the Boston-based pioneer of the venture capital industry in the United States.

It wasn't until the late 1960s and early 1970s that the industry began to develop some momentum. Between 1968 and 1973, Helix Investments, Ventures West Resources, Trucena Investments, Innocan Investments and SB Capital all made their entrance. The banks also stepped onto the stage during this period with the establishment of TD Capital Group and the Royal Bank's Roymark Financial Services. By the end of 1973, the nucleus of the industry was in place and a rather diverse structure was evolving. These firms were all structured as closely held private corporations, drawing their capital from financial institutions, private individuals and families, and some institutional investors.

In the early days, most of the venture investors generally took a minority equity position; invested with a long-term perspective, not expecting returns for at least five years; did not overly concern themselves with liquidity; and were involved with their investments primarily in a strategic way at the Board level. The industry was so small that investors generally did not have to worry about competition for good deals.

However, from about 1974 until the end of the decade, the venture capital industry was operating under less than ideal conditions. The economy was reeling from the OPEC shocks and consequent recessions, and the U.S. venture capital industry was virtually grinding to a halt in response to adverse economic conditions and an unfavourable tax environment. Canadian venture capitalists struggled with many of their existing investments and annual disbursements hovered in the $10 million to $15 million range.

During this period, the environment for making investments, and for realizing gains on existing investments became much tougher. Liquidity was hard to come by, and even the good investments often took longer than expected to realize their potential. In response to these conditions, venture capitalists began to take a much more active posture with their investments, becoming more directly involved with their portfolio companies. They worked more closely with their modestly (or poorly) performing portfolio companies in an effort to turn them around and to protect their investments. Many venture capitalists adopted a policy of taking control positions in an effort to gain more control over the liquidity and the outcome of their investments. Others shifted away from straight equity investments to quasi-equity instruments, (subordinated debt with equity kickers).These did not necessarily reduce the risk, but allowed for the repayment of capital with interest by those companies which succeeded, thereby allowing investors to be more patient in terms of realizing capital gains.

By 1980, however, the environment began to change in a positive direction and the Canadian venture capital industry entered a new stage of development. Sharp reductions in the capital gains tax rates in the U.S., combined with the clarification of pension investment rules, led to an upsurge in capital commitments and investment activity in that country, which attracted the attention of Canadian investors. Funds formed in earlier years in both Canada and in the U.S. began to realize attractive returns, demonstrating the viability of venture investing. Canada experienced some success stories with technology based firms like Mitel and AES Data. And the economic restructuring forced by changing international economic conditions shifted the focus away from large-scale manufacturing towards small information, technology and service firms, creating an environment more conducive to entrepreneurial activity and to the development of new investment opportunities.

The upshot of these changes was that the venture capital industry really started to take hold in Canada. Corporate, institutional and private investors slowly began to look more closely at the benefits of building a venture component into their investment strategies. The stage was set for significant growth in the capital available for investment, the number of venture

investors participating in the market and ultimately in the number of deals being done.

As a result, the base of capital committed for venture investing grew from about $400 million at the beginning of 1980 to more than $2.5 billion by the end of 1988. Entrepreneurial firms are now facing a much larger and more mature industry, with a more diverse group of participants than they were five years ago. Along with the resulting increased access to capital has come an increased maturity in the expectations of the venture investment process from investors and investees alike.

IV The Venture Capital Market in Canada Today

In assessing alternate sources of financing, an emerging growth firm and its advisors must first determine whether venture capital represents an appropriate financing option for the company. To make this assessment, it is important to have a good sense of the types of investors that are operating in the Canadian market and the types of deals they are doing. It is therefore useful to look at the investment patterns exhibited by the industry to gain an appreciation of where the money is and where it is going. The trends discussed below are supported by detailed statistical tables which are presented in Section VII.

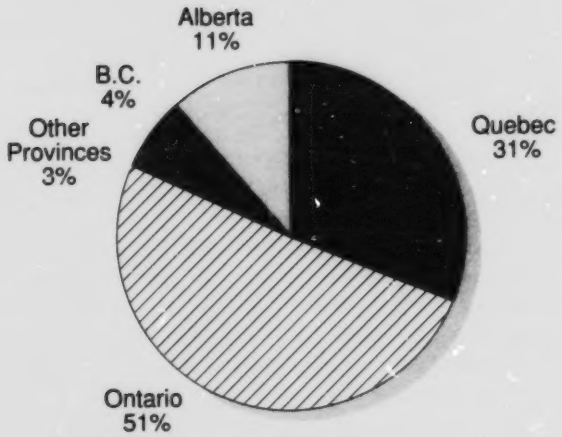
How Much Capital is There?

How much venture capital is there in Canada? According to estimates by Venture Economics[1], the total capital under management at the end of 1990 was approximately $3.3 billion (excluding the capital committed under various provincial venture capital initiatives like Ontario's SBDCs and Alberta's SBECs). About $200 million of new capital was committed to the industry in 1990, but an equal amount was removed from the industry's pool so there was no net change to the industry's total resources.

[1]Venture Economics, which is recognized internationally as the expert source on the venture capital industry, is the source for all data and analysis presented in this chapter.

The pool of venture capital in Canada grew rapidly in the second half of the 1980s, with more than $1.2 billion of new capital flowing into the industry in 1986 and 1987 alone. The industry's current resources are almost 2.5 times the $1.4 billion that was under management at the end of 1985, which represents a significant amount of growth in a relatively short amount of time.

Regional Distribution of Capital Under Management
(as of the end of 1990)



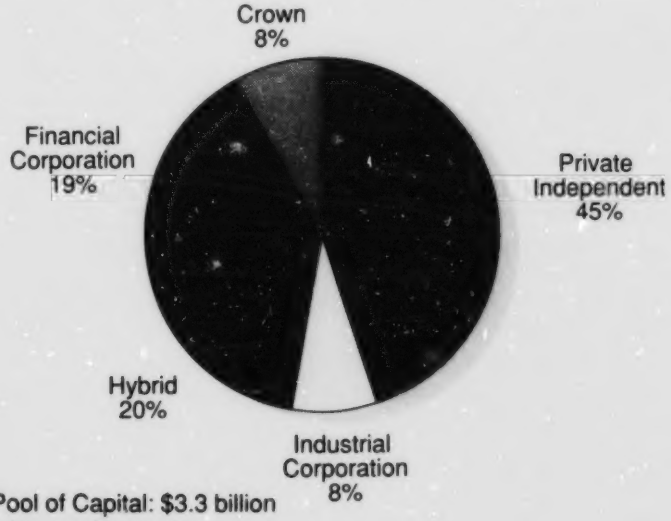
Total Pool of Capital: $3.3 billion
Source: Venture Economics

More than 80% of the industry's capital is managed by venture capital groups based in Central Canada. While this has been the case for the past several years, Ontario has gained a bit of ground while Quebec has lost a bit in terms of capital under management. At the end of 1990, just over 50% of the total pool was managed from Ontario (compared with 46% in 1988), while 31% (34% in 1988) was managed from Quebec. Alberta's share of the industry's resources declined slightly from 13% in 1988 to 11% at the end of 1990, while B.C.'s share held constant at 4%. Manitoba and Saskatchewan continue to be home to a very small part of the industry (3% of the industry's resources), while there is still only a very small professionally managed venture industry in Atlantic Canada. Given their active involvement with the companies they finance, venture capitalists typically want their investments close enough for easy access for board meetings and other meetings with the company. The regional distribution of the capital under management therefore has implications for firms seeking financing.

The resources being managed within the Canadian venture capital industry are under the control of five different types of investors. Private independent venture capital firms, which are institutionally or privately funded and independently operated, currently manage almost $1.5 billion or 45% of the industry's resources. A key difference between these firms, and the corporate and crown-related venture groups (discussed below) is that there capital is committed for the long term. Their legal structure generally requires that they be managed according to a 10 to 12 year lifespan, so they are rarely wound up on short notice. By contrast, corporate and government venture funds are often more short term in their orientation, in that their mandate can be changed overnight in response to changes in the political or strategic agenda. The more prevalent these independent firms are within the industry, the more secure the long term supply of capital. The share of the industry's capital in Canada being managed by private independent funds has been fairly stable in the 45%-50% range for the past several years.

Subsidiaries or divisions of financial and non-financial corporations account for about one quarter of the capital under management in Canada. About eight Canadian industrial corporations have established venture capital operations, some of which are more active than others. Some of these investors have a mix of financial and strategic objectives, and are looking not only for a good financial return on their venture investments but also for a window on new technological and product developments that could be of strategic interest to the corporation. Access to technical resources within the

Control of Capital Under Management
(as at the end of 1990)



Total Pool of Capital: $3.3 billion
Source: Venture Economics

corporation sometimes allows these groups to participate more readily in particular technology-based investments.

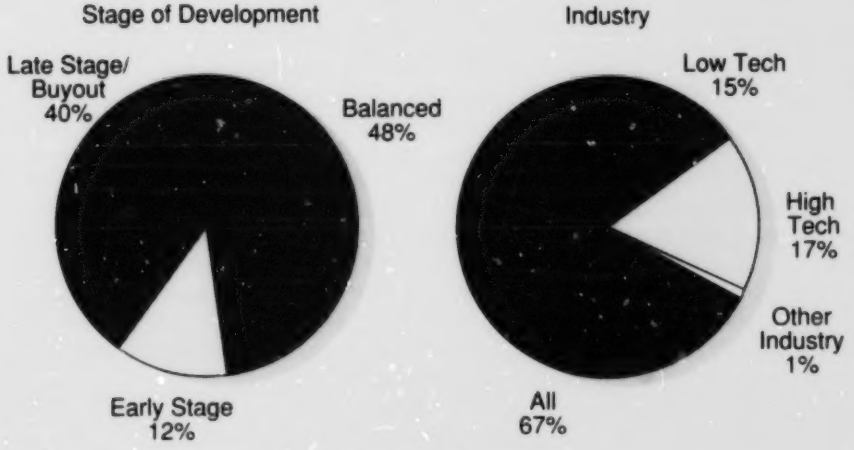
Ten Canadian financial institutions have also established venture capital operations. Given their credit-driven background, many of these groups have historically participated in larger deals with more mature companies, relying heavily on quasi-equity financing instruments. These financial groups were key players in the industry when leveraged buyouts were the most popular type of transaction.

Government controlled venture capital groups accounted for 8% of the industry's capital at the end of 1990. There are currently about half a dozen significant venture capital groups in Canada with direct ties to government. The Federal Business Development Bank's (FBDB) large and active venture capital division, which invests across the country, is the only significant venture capital fund related to the federal government. But at the provincial level, several funds have been formed in the past several years, primarily to address gaps perceived to have been ignored in the market by the private sector. In British Columbia, Discovery Enterprises focuses primarily on early stage companies, as does Alberta Opportunity Company's Venture Funding Division, Innovation Ontario, and AQVIR in Quebec.

The federal and provincial governments have played an important role in encouraging the development of the venture capital industry in Canada. In the early days, the federal government seeded several private independent funds with capital to enhance their credibility and help them raise capital from other private investors. As the industry developed, governments moved towards addressing specific gaps in the market.

However, governments have also supported the development of what might be called "hybrid" funds over the years. These funds, which have private investors along with some form of financial support from government are managed independently, and have become the largest venture capital funds in the country. Alberta-based Vencap Equities, the first such fund, was established in 1983 with the assistance of a $200 million debenture from the Government of Alberta. Vencap also raised more than $50 million from private investors. In 1985, the Quebec Federation of Labour secured support from the federal government and the Government of Quebec to launch Fonds de Solidarite des Travailleurs (Solidarity Fund), the first labour sponsored venture capital fund. Individuals who invest in Solidarity qualify for a 20% tax credit from both the federal and provincial governments and the investment qualifies for RRSP purposes. Solidarity is now the largest venture capital fund in Canada with more than $300 million under management. In 1990, the Canadian Federation of Labour launched Working Ventures Canadian Fund Inc., which is a national labour sponsored venture fund.

Investment Focus of Capital Under Management
(as at the end of 1990)

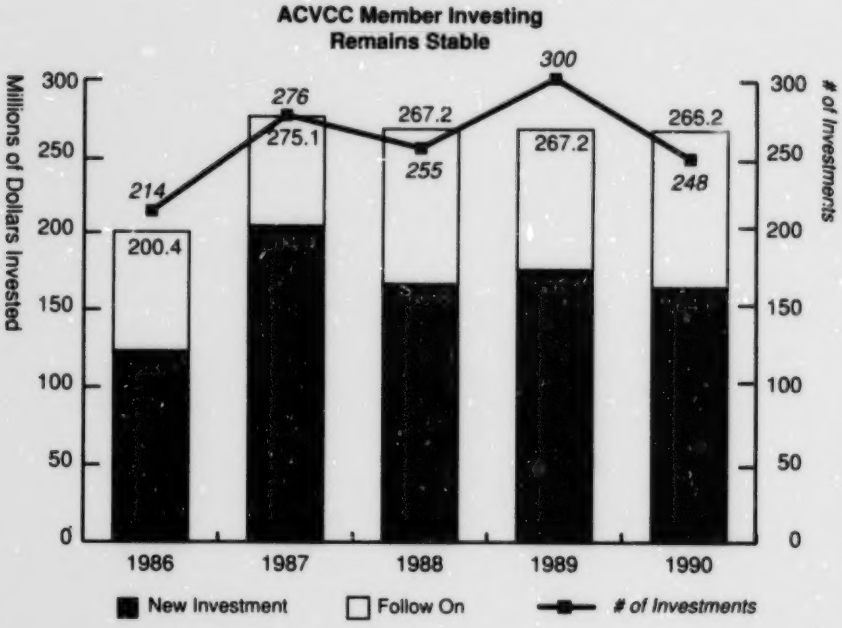


Total Pool of Capital: $3.3 billion
Source: Venture Economics

As the industry has grown, many venture capital groups have moved towards more specialized investment strategies. Ten years ago, most Canadian venture groups operated on a balanced portfolio basis, in that they did not target their funds towards investments in particular industry sectors or at particular stages of development. Today, many groups distinguish themselves from their competitors (and attempt to build on their own strengths) by focussing on a particular segment of the market. At the end of 1990, 40% of the $3.3 billion under management was in funds focussed exclusively on later stage investments (expansion, buyouts and acquisitions). In 1985, only 25% of the industry's $1.4 billion had this focus, underscoring the magnitude of the increase in the amount of capital available for more mature companies. The trend towards industry specialization has been much less pronounced, with 17% of the industry's capital targeted towards high technology sectors. When the industry enters its next growth phase (the rapid growth in recent years coupled with the difficult current economic conditions have resulted in a drying up of new capital and hence a slowdown in investment activity), there will likely be even more differentiation among the new groups entering the market. This trend is a healthy one for entrepreneurs, in that venture capitalists are increasingly focussing on those investments where they are best able to add value.

How Much is Being Invested and Where?

In 1990, full members of the ACVCC invested $266 million, by making 248 investments in 254 companies.[2] Of this, more than 60% ($164 million) went to new investments, while the remaining $100 million went to follow-on investments in existing portfolio companies. The share of capital going to new investments did not decline in 1990, despite concerns that venture capitalists would be focussing exclusively on the problems arising in their existing portfolio companies as the economy worsened.



Source: Venture Economics

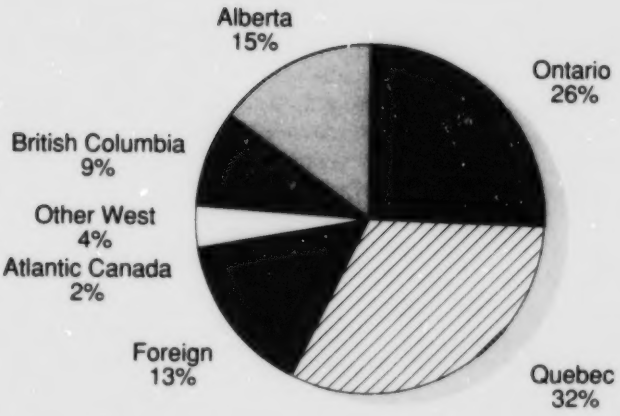
[2]On the surface, it appears that the industry's investment activity has been stable at this level for the past several years. However, a number of significant venture capital groups just became full members of the ACVCC during 1990, so their investment activity was not included in prior years' data. If all investors included in the 1990 data are included in the 1989 analysis, ACVCC members invested $315 million in 1989, rather than the $266 million reported. This means that the total amount invested by ACVCC members in 1990 was down by 16% from 1989. Further discussion of this issue can be found in the introduction to the statistical tables presented in Section VII.

There was a trend towards fewer, larger investments last year. Although the amount invested was unchanged, only 221 companies were financed compared with 254 companies in 1989. The average financing was almost $1.2 million, up by 20% from $1 million in 1989. The 248 investments involved 227 rounds of financing (a financing is one round of capital provided to a company, regardless of the number of investors in that round), suggesting that syndication activity in Canada continues to decline. Each financing done in 1990 involved 1.093 investors, which means that most Canadian venture capitalists tend to invest on their own, rather than alongside a number of other investors. While this can be considered to be good news for the entrepreneur who prefers not to deal with a number of outside investors, it unfortunately also means that there will be less capital available for investment in the company.

Of the 248 investments made, 223 went to Canadian companies, and these firms received $232 million (87%) of the total amount invested. Only five years earlier (1985), ACVCC members had made just 112 investments in Canadian companies, committing less than $80 million. This increase in the industry's activity is evidence of the growing role being played by the Canadian venture capital industry in financing emerging growth companies in this country. Between 1985 and 1990, the number of investments made by ACVCC members in Canadian companies doubled and the amount invested in these companies increased by almost threefold.

However, the difficult economic environment that prevailed last year took its toll on entrepreneurial companies seeking capital. The $232 million invested in Canadian companies was almost $20 million less than the amount invested in the previous year. Venture capitalists are likely to be less aggressive in their investment activity during a recession, in part because it is generally harder to raise new capital during such times (so existing commitments have to last longer) and in part because existing portfolio companies often need more support (add-on investments) during difficult economic times. It can be harder in some respects for an entrepreneur to find an investor as a result. However, most venture capitalists believe that a recessionary environment is better for making new investments, since even good companies have trouble finding capital in such times, which means they are more likely to be interested in taking a venture capitalist in and on reasonable terms.

Quebec Leads in Share of Member Disbursements



(% of $266 million invested by ACVCC members)
Source: Venture Economics

Within Canada, the distribution of investment activity continued to shift last year. Quebec based companies captured the largest share of disbursements (32%) of the provinces. However, Quebec's share of investments declined from 31% in 1989 to 23% in 1990. An average investment of $1.5 million in Quebec-based firms in 1990 compared with an average investment of less than $900,000 in the rest of the country resulted in Quebec capturing the largest share of disbursements, despite a sharp decline in its share of investment activity. In fact, the number of investments made in Quebec was back to more "normal" levels by historical standards. Groups like Solidarity (in particular), CCFL and SID are leading the way in making Quebec a key market for the venture capital industry, and they are tending towards investing more money in fewer companies.

More than one third of the investments made by the Canadian industry last year were in Ontario-based companies, although the total amount invested in these firms was $70 million, or more than 20% less than the amount invested in 1989. Investment activity in Alberta appears to be on the rise again, with Alberta-based companies capturing 15% (almost $40 million) of ACVCC members' disbursements. Atlantic Canada was the subject of some attention from investors last year, capturing almost $5 million through 3 investments.

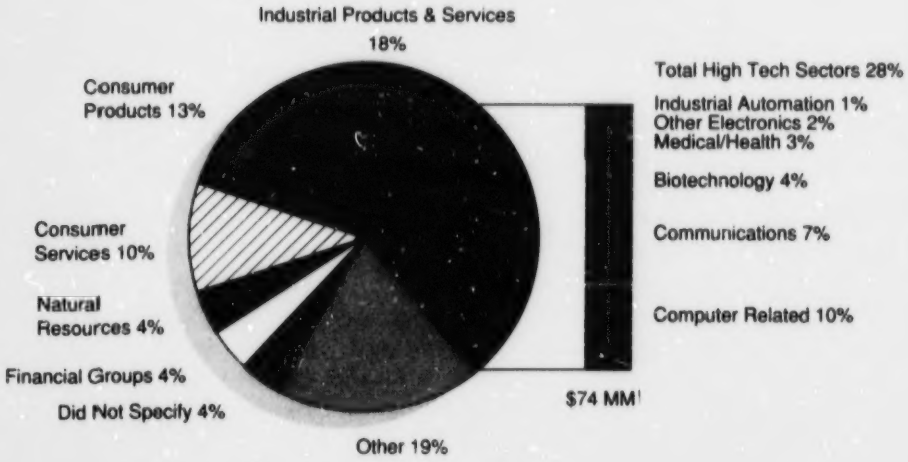
Foreign investment was up last year in both relative and absolute terms. Almost $35 million (13% of disbursements) was invested in companies outside of Canada in 1990, compared with $17 million (6%) in 1989.

What Types of Deals Are Being Done?

Unlike their U.S. counterparts, Canadian venture capitalists are not primarily interested in technology companies. Some do invest in technology companies, but most finance many other types of companies as well. The word best describing the sectoral orientation of the Canadian venture capital community is "diversified".

In 1990, a large portion of the capital invested went to conventional industries, as illustrated in the chart on the following page. Miscellaneous industrial products and services firms captured $48 million and $61 million went to consumers products and services firms.

ACVCC Members Make Diversified Investments

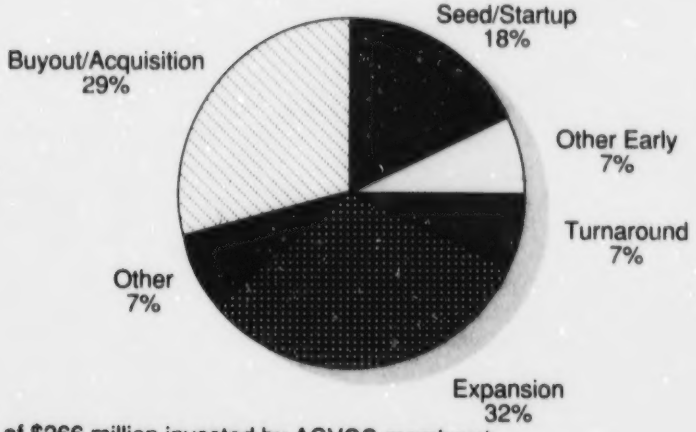


(% of $266 million invested by ACVCC members)
Source: Venture Economics

Investment activity in sectors classified as high technology (communications, computer related, other electronics, industrial automation, biotechnology and medical related) captured $74 million, or 28% of the total amount invested. The industry's involvement with technology firms has declined in the past several years. ACVCC members provided 26% of their total disbursements to technology companies in 1989, but an average of 40% in the previous five years. This decline has been primarily in response to the poor performance that many Canadian venture investors have experienced with their technology investments. Entrepreneurs seeking capital for a technology firm will therefore need to be highly focused in this search and should be prepared for some tough questions.

Canadian venture capitalists do not focus on a narrow range of industry sectors, but invest across the full spectrum. Therefore, it can be assumed that access to venture capital will be determined by the dynamics of the particular company and its management rather than by the sector in which it is in. More segmentation has started to occur in recent years with respect to preferences for companies at a particular stage of their development cycle. As previously noted, a growing share of capital being committed to new venture funds is targeted for expansion and mezzanine financings and leveraged buyouts. As a result, the share of the total amount of capital being invested in these more mature companies has been increasing, with a consequent reduction in share for earlier stage companies.

ACVCC Members Concentrate on Backing Companies Not Buying Them



(% of $266 million invested by ACVCC members)
Source: Venture Economics

However, that trend was altered somewhat in 1990. Although seed and startup investments accounted for only 23% of all investments made last year (compared with 30% of investments made in 1989) they accounted for 18% of the capital invested, up from 11% in 1989. There was an absolute increase in the amount invested in seed and startup companies from less than $30 million to almost $50 million as a result, even though there was no increase in total investment activity. There was more good news for early stage companies last year in that the average amount invested in these companies was $821,000, up from $320,000 in 1989 and an average of $567,000 over the previous five years. Young Canadian companies have been disadvantaged relative to their U.S. counterparts with respect to the amount of equity capital they could access, which is bound to affect their ability to compete in the international marketplace. While an increase in the average amount invested in these firms means that fewer companies are likely to be financed, it does mean that companies with strong potential are more likely to get the amount of capital they need to realize that potential.

Expansion financings were also up in 1990, absorbing $85 million (32% of disbursements) compared with $70 million in 1989 (26% of disbursements). Buyouts and acquisitions moved out of the limelight in 1990 (not surprisingly) leaving more room for other types of investments. Buyouts and acquisitions accounted for only 29% of total disbursements ($77 million) down from 42% ($113 million) in 1989. Venture capitalists also made a number of investments in 1990 to provide bridge financing or working capital to their portfolio companies. This is a new trend for the industry, and one which is positive from the perspective of the entrepreneur in so far as it demonstrates that venture capital investors stay committed to their portfolio companies during difficult economic times.

In short, new or established companies in search of equity capital are well positioned in today's market to attract venture capital. A good company that is prepared to bring in an outside investor on reasonable terms will not go begging for venture capital in today's market. Early stage companies will probably have to work a bit harder to find capital than their more mature counterparts, but the money is still there for those entrepreneurs that have the potential to grow and are willing to do so.

How Much Money Do Venture Capitalists Invest?

In 1990, the average investment for all ACVCC members was almost $1.1 million, up by 20% from $890,000 in 1989. The average technology investment rose from $550,000 to $670,000, while the average amount invested in firms in conventional industries rose from $1.1 million to $1.4 million.

As one would expect, investments in early stage companies tend to be smaller than investments in more mature firms. Even though the average seed/startup investment in 1990 rose sharply to $821,000, it was still well below the average investment of $1.1 million in expansion financings and $2.3 million in buyout financings. The average amount invested to provide bridge financing or working capital to existing portfolio companies was just over $600,000.

There was also considerable variation in the average amount invested in different regions, although this was no doubt a function of the types of deals being done rather than their location. The average investment in Ontario-based companies was $670,000, compared with an average of $800,000 in British Columbia and $1.4 million in Quebec and Alberta.

While the absolute numbers will change from year to year, the trends in average size of investment clearly show that venture capitalists rarely invest less than $500,000. This is particularly true of private sector funds, although some of the government-related venture groups specialize in smaller investments. While the private funds are often criticized for not making small investments, and accused of not being "venturesome", there are some economic realities underlying their policies which must be acknowledged.

Entrepreneurs interested in securing venture capital must recognize that the venture capitalist's primary objective is to make an attractive rate of return, and that is done, at least in part, by being an active investor. If one assumes for a moment that a venture capitalist has $20 million under management and that he will invest as little as $250,000, he could find himself with as many as 80 investments in his portfolio, which is clearly unmanageable. The trend in both Canada and in the United States in recent years has been towards larger funds, with the average fund in Canada now approaching $50 million. If a venture capitalist is to earn a 20 percent annual return for his investors over the 10 year life of the fund, they will have to turn that $50 million into more than $300 million during that period. If they are to succeed, venture capitalists must look for opportunities with significant upside potential in absolute dollar terms. Unfortunately, that is tough to do with a large number of very small investments.

None of this is to say that there is not a very real need for access to small amounts of venture capital, for there clearly is. However, this capital is much more likely to come from informal sources ... friends, relatives, associates ... than from larger professionally managed venture capital funds.

How Are The Deals Structured?

More than one third of the investments made in 1990 made use of common equity on its own, up from 25% of all deals in 1989. In the heyday of the mid-to-late 1980s, good financial engineering was often as, if not more, lucrative than making a straight equity investment in a good growth company. However, the economic environment is different today, and the best financial structuring in the world is unlikely to turn an investment in a bad company into a good investment. It is not surprising therefore that there was a shift back towards pure equity deals last year.

More than 25% of investments made in 1990 involved a debt instrument (normal and/or convertible subordinated debt, or debt with common and/or preferred shares) and 15% of the investments involved preferred shares. There are clearly no hard and fast rules in the world of venture capital. Every deal will be structured in a way that best serves the interest of the venture capitalist and the company. All of the conditions of the deal, including pricing, are negotiable and will eventually require the support of both parties.

But an entrepreneur should not even consider entering into the process of looking for venture capital if he or she is not mentally prepared to give up some equity and enter into an agreement that is equally beneficial to both parties. Although it can be difficult to consider giving up some ownership in your own company, it can make a good deal of financial sense if it will lead to a bigger and stronger company. An entrepreneur owning 75% of a company worth $20 million is in a better position financially than one who owns 100% of a company worth $1 million.

In today's environment, neither venture capitalist nor entrepreneur will be able to negotiate a "sweet deal". However, those venture capitalists with money are looking for good companies with growth potential whose managers want a real partner to help them realize their potential.

V Raising Venture Capital

There are eight specific steps involved in the process of raising venture capital: (1) making the decision; (2) selecting the short list; (3) picking the timing; (4) making the first contact; (5) preparing the business plan; (6) having the first meeting; (7) doing the due diligence; and (8) closing the deal.

1. Making the decision

If the venture capital process is to be mutually beneficial to the venture capitalists and the company, there must be a good fit in both directions. A venture capitalist will always make sure he or she is comfortable with a company before investing in it. But it is equally important that the entrepreneurs are comfortable with their venture capital backer. The venture investor will probably be around for a long time, so it is critical to find the right type of partner.

Even assuming the right type of investor can be found, venture capital is not the right option for everyone. Venture capital involves bringing in an outside equity investor, or partner, and a commitment to build a growing company. Raising venture capital can be a difficult and time-consuming process that is filled with frustration and anxiety. And once the deal is closed, the investee company has a new, long-term business partner.

Any firm contemplating the venture capital option should therefore assess all of the implications in advance, and not just focus on the need for capital. Venture capitalists are prepared to invest for the longer term, take more risk, and tap their network of contacts to help the investee company. Their rate of return is tied to the company's success, so it is in their best interest to do everything they can to help the company to succeed.

But venture capitalists expect a lot in return. At the end of the day, they want a rate of return that compensates them for the lack of liquidity and the risk and they want to be able to protect their investment along the way. From the outset, they want a management team that is fully committed and prepared to strive constantly for top performance.

Virtually all venture capitalists have certain basic investment considera-

tions, regardless of their specific investment focus. Any firm in search of venture capital should recognize that they will be assessed against other firms competing with them for the investor's attention based on these factors. An honest assessment by the entrepreneurs of how their companies stack up on each of these considerations before approaching any venture capitalists will prove to be time well spent.

(i) Potential for capital gain: Since venture capitalists are striving to achieve a gain on their investment, their first interest is likely to be in the longer term growth potential of the company. Most venture capitalists like to see the potential for an annual increase in the value of an investment of 30 percent to 40 percent compounded (although a somewhat lower rate might be acceptable in mezzanine type investments where the risk is perceived to be lower). While these expectations may seem extreme on the surface, the reality is that the majority of emerging growth companies do not fully achieve the potential they appear to have at the time they are financed. Venture capitalists have to look for the potential for high returns on each investment if they are to achieve an acceptable rate of return on the portfolio overall, recognizing that at least some of their investments will fail and others will fall short of expectations.

(ii) Potential liquidity: A venture investor will also examine the potential to realize the increased value down the road. The options for the eventual disposition of an investment normally include a public issue, sale of the venture investor's position to another private or public company or the repurchase of the position by the investee firm. A venture capitalist will always examine the likelihood of exiting using one of these routes before committing to an investment, and if the likelihood seems small, will probably turn the investment down.

(iii) Future capital requirements: A venture capitalist will be looking to estimate the amount of capital likely to be required over time for the company to grow according to plan, and the requirements if things don't unfold according to expectations. This can be particularly relevant in the case of technology companies with ongoing R&D requirements. Venture capitalists will typically assume a less optimistic stance than the entrepreneur to determine the potential exposure in the event of delays or shortfalls in terms of the plan. The eventual value of an investment is often contingent on avoiding undue dilution over time, so the venture capitalist will want to develop realistic estimates of the capital required to maintain his or her position over the life of the investment.

(iv) Management is ultimately the key: Although each investment will be examined in the context of the preceding factors, the ability of the manage-

ment team will be of overriding concern throughout the whole process. The biggest mistake an entrepreneur can make in the search for venture capital is assuming the investor is backing the technology or product, rather than the management team.

Perhaps the most obvious indicator of management's commitment to the project is the financial commitment of the founder and of the management team and the amount of private capital committed by family and friends. Venture capital should never be seen as a substitute for this type of capital. The entrepreneur must be fully financially committed to the business before a venture capitalist will even entertain the possibility of investing. This commitment is really the only security an outside investor will have that the entrepreneur will do his or her best to make the business work.

The underlying premise for most venture capitalists is they would rather back a second rate product with first rate management than the other way around. While an entrepreneur is invariably driven by his or her own vision, it is critical to recognize that the rest of the world will view it as a business proposition.

If, in assessing itself on these factors, the company must give itself a poor grade, venture capital is probably not the right option for it to pursue. Banks, governments, suppliers, friends and private investors may well be more appropriate sources of capital in that their expectations and those of management are the same. However, if the company believes it can satisfy a venture investor's expectations, the next step is to identify the right potential investors.

2. Selecting the short list

Raising venture capital is similar in many ways to making a very large sale to an essential customer, and should be treated as such. Raising capital, like making a sale, requires knowledge of the customer, his purchasing criteria, the people involved in the final decision, and the process by which a decision will be made.

The first step is to understand the market, so the entrepreneur should spend some time studying the venture capital market, ideally several months prior to fund raising. Interest in the proposal should be tested through informal meetings with a few carefully selected venture capital firms. While the entrepreneur should have a general outline of what is needed, these meetings will provide valuable intelligence before the proposal and business plan are finalized.

The growth in the venture capital industry in recent years has made it easier in many ways for entrepreneurial firms to raise capital. First, there is obviously more capital, which means more firms can be financed. Second, since there is more capital, and more venture capitalists managing that capital, there is more competition among venture capitalists to finance the good companies. This works to the advantage of those good companies. And finally, in response to this increased competition, venture capitalists are focusing their investment strategies and identifying the markets they want to be in, which makes it much easier for the entrepreneur to identify the best suited investors. The information presented in the directory at the back of this guide has been developed specifically with this need in mind.

In an effort to control the time and frustration associated with the fund raising process (which will no doubt be too much in the entrepreneur's view in any event), it is important to narrow the field of venture capital firms in advance. Only a small portion of the venture community will be interested in any particular opportunity, so it is important to determine in advance which firms are most likely to invest.

The first step towards selecting a short list is to compare the company's characteristics and its financing requirements with the stated investment preferences of each venture firm with respect to:

- ❒ size of investment required;
- ❒ geographic location of company;
- ❒ stage of company's development;
- ❒ size (revenues) and status (profit/loss) of company; and
- ❒ business of company.

This process should yield a list of eight to 12 investors whose interests match the entrepreneur's needs. With this list in hand, the intelligence gathering that is fundamental to the selling process should begin. Accountants and lawyers can and should play a critical role in this process, both in identifying appropriate venture capital firms, and more importantly, providing or finding good introductions to them. While a first class opportunity will get financed regardless, the value of referrals cannot be overstated. Therefore, time spent identifying possible introductions will be time well spent. The list of venture firms identified as having compatible investment strategies should then be reviewed in the context of these contacts.

The growth in the industry has also increased the importance of referrals, which can come from accountants and lawyers, professional associates, former colleagues, other portfolio companies, etc. Since the venture capitalist is ultimately making a judgement call on the ability of a management team, a recommendation from someone he or she knows and respects will add a good deal of weight to his or her own assessment.

A short list should therefore be developed of the venture firms most likely to be interested and to whom personal referrals can be made. The list should be fairly short, since it is important to avoid the appearance of "shopping" the deal to too many prospective investors. If a venture firm feels too many other firms have already seen the deal, it is apt to assume it's a bad deal, and not give it a fair hearing.

3. Picking the timing

Ironic as it may seem, the best time for most companies to raise venture capital is when they need it least. The less urgent the need for capital, the more flexibility the company has in negotiating the best deal for its long-term needs. Most companies also underestimate the amount of time and energy required to raise new equity ... time and energy that is taken away from normal business. So venture capital should be pursued when the company is not desperate for funds, and when management believes it can best afford the tremendous distraction that is inevitable. Of course, many companies are growing so quickly that they do not have the luxury of picking the best time to raise new equity.

But if the timing can be controlled, the following factors should be taken into account before starting to contact prospective venture investors.

- ❒ Company year end: If the year end is approaching, most venture capitalists will prefer to wait until year-end financials and perhaps audited statements are available.

- ❒ Pending contracts: If a major contract is in the works, the venture firm may wish to delay the closing until the deal is certain, or at least tie the valuation to the closing of the contract.

- ❒ Financial performance: If the company has recently had a temporary setback, it would be wise to delay raising capital until it has regained its previous momentum if possible. Otherwise, the venture capitalists could want to wait until performance improves, or reduce the valuation of the company.

4. Making the first contact

Most deals that eventually close begin with a phone call. Ideally this call should come from someone who knows both the entrepreneur and the venture capitalist. The call can be made by the entrepreneur's lawyer or accountant, or by some other contact, as long as this third party is reputable and respected by the venture investor. This person need not be a paid

intermediary, but only someone who, through his/her contact with the venture capitalist, can enhance the entrepreneur's prospects for success.

Most venture capitalists are highly skilled at screening deals over the phone. They know what questions to ask to weed out unlikely prospects, and usually will know by the end of the call whether it is worthwhile to go the next step. A typical venture capitalist is approached on more than a hundred investment opportunities a year, so not surprisingly, learns to trust his own instincts. If the entrepreneur has done his or her homework in preparing the short list of investors, there should be no problem in getting past this first screen.

5. Preparing The Business Plan

Most venture capitalists will not meet with an entrepreneur before reading a business plan or executive summary, so the initial contact should not be made until a business plan has been prepared.

The business plan is a company's selling document. It has to be well thought out, clear, concise, and well presented, and should be accompanied by an executive summary. It will speak for the entrepreneur, and will serve as the second screen, before the entrepreneur even meets the venture capitalist. Its importance cannot be overstated.

Even if an intermediary is involved in the preparation of these documents, the entrepreneur must take control of the content, which is the company's story. He or she must be completely comfortable with every last detail, particularly the financial statements and projections. An intermediary can be very helpful in polishing and packaging the material and particularly in opening the door to prospective investors. But ultimately the venture capitalist is investing in the entrepreneur, and expects him or her to know the business and especially the numbers.

An executive summary is an excellent tool for telling the company's story without disclosing too much information at a preliminary stage. The summary should be no more than five pages, and need not contain proprietary or sensitive information. The purpose of the summary is to pique the investor's interest and to make it easier for him to decide whether to pursue the opportunity further.

An executive summary should include:

- ❒ name of company, address, phone and fax numbers;
- ❒ description of the business, products, markets, sales channels and major competitors;
- ❒ funding required, equity offered, shares outstanding and expected use of proceeds;

- ❒ names and titles of senior management and a brief description of their backgrounds;
- ❒ financial history (up to five years, as available); financial projections and assumptions underlying these assumptions;
- ❒ names of key shareholders and directors; and
- ❒ recent press clippings or trade articles.

As already noted, the business plan is the key financing document and must be very carefully prepared. The company will be relying heavily on this document to sell its story. The business plan reflects management's ability to direct and control the business and they will be judged on that basis.

The plan should be thorough and accurate, but need not be lengthy or elaborate. It should be exciting, but reasonable. Balance within the plan is important. Long descriptions of the product or technology are not necessary, and in fact are apt to be a liability, suggesting the entrepreneur is more concerned with the product than the business.

The business plan should normally not be more than 30 or 40 pages (excluding appendices) and above all should be readable. The draft should be read by someone familiar with raising capital before it is finalized. This role can also be served by the entrepreneur's lawyer or accountant, or by a friend, relative, or colleague with the experience necessary to provide practical feedback on the plan. While the contents of a business plan will vary to some extent, depending on what stage of its development a company is at, the plan will usually contain the following information.

1. table of contents, phone and fax numbers, and name of key contact;
2. summary: name of company, funds required, equity offered, use of funds;
3. history of the company, business description, previous financings and investors, current ownership and present status;
4. organization and management: organization chart; description of departments; numbers of employees; names, titles, ages of key management with a background paragraph on each, outlining previous accomplishments and positions held (detailed resumes can go in an appendix);
5. board of directors: names and backgrounds of directors;
6. the market: market trends with reference to market studies; size of market and growth rates; customers and buying criteria; distribution channels; and detailed discussion of competition and market shares;
7. product lines: description of products; principal advantages relative to competition; patents or other protection; product pricing; research and development activities; and future plans;

8. marketing and sales strategy: sales analysis by product group, distribution channel and region; key customers; order backlog and orders pending; sales plan; description of sales organization; distributors; promotion activities; and future plans;
9. production/service/distribution operations: facilities and equipment description and location; manufacturing capacity; key suppliers; and capital investment/expansion plans;
10. financial information: detailed listing of profit and loss statements (past five years if available); most recent year-end balance sheet; interim financial statements (less than 60 days old), including a balance sheet; three-year projection of profit and loss and cash flow by month with key assumptions; discussion of recent performance;
11. present and past financings: description of previous financings and detailed list of shareholders (including options, warrants and convertible securities); description of securities being offered and expected use of funds; need for further funding; plans for going public or providing for investor liquidity; and justification of valuation;
12. company data: bank with name of account manager; legal counsel; auditors; other advisors;
13. appendices: audited financial statements; marketing literature; customer letters and testimonials; and resumes.

6. Having the first meeting

After reviewing the executive summary, the venture capitalist will decide if a meeting is worthwhile. If no meeting is suggested, it will probably be counterproductive to force the issue. Instead, the entrepreneur should try to find out why the proposal has been rejected and to solicit referrals to other venture capitalists that might be interested.

The first meeting will often take place at the venture capitalist's office. To make life easier, an entrepreneur should try to schedule all the initial meetings fairly closely together if coming from out of town, to minimize the disruption.

The first meeting is crucial, and the entrepreneur should prepare well for it, including rehearsing a half-hour presentation if that technique is appropriate. The executive summary can serve as an outline for the presentation. (Even if the venture capitalist already has the business plan, he or she will have reviewed it only briefly, and will need to be reminded of the key aspects of the proposal.) The venture capitalist will be interested in the history of the company and the background of the management team.

The entrepreneur should emphasize the strengths of the proposal, and explain how the venture capitalist will make money from an investment. Lengthy explanations of the technology or the intricacies of the product should be avoided unless specifically requested. If the venture capitalist expresses an interest in going further, the two parties should agree on the next steps and the time-frame.

Following the meeting, the entrepreneur should make written notes on the meeting, outlining the areas of key concern, the aspects of the deal that the venture capitalist liked, and the questions that were asked.

More than anything else, the venture capitalist will be evaluating the entrepreneur during this first meeting. He or she will be looking for evidence of high energy, honesty, market knowledge, business experience and sound judgement. The entrepreneur should also use the meeting to assess the venture capitalist, learn about his previous investments, get his perspective on what he will contribute and determine how he would be involved in the operations of the company.

7. Doing the due diligence

Assuming the first meeting goes well, the venture capitalist will then begin the investment review, or what is known as "due diligence", which in essence means finding out everything there is to know about the company, its management, products, market, competitors ... everything that is apt to influence the company's future prospects, and a prospective investor's decision to invest. This is a time-consuming and expensive process, so a venture capitalist is not likely to start it unless reasonably sure that he wants to do the deal. The objective is to either verify that the deal makes sense or find a reason for not doing it.

It can take weeks or months to do the due diligence, and frustration for the entrepreneur is an inevitable part of the process. Once an investor is comfortable with the company, he will normally issue a letter of intent laying out the terms and conditions for the investment.

If the two sides agree on this basic document, the final legal documentation will be prepared, the deal closed, and the money transferred to the company's account. The whole fund raising process can take as little as a few weeks or as much as six months, but three months would be a reasonable allocation of time from the first contact to the closing.

The investment review, like any major "sale", should be managed by the entrepreneur, who should keep track of the various questions and requests

for information. Throughout the review process, the entrepreneur should be discussing the terms of the final financing with the prospective investor(s) to ensure that there are no surprises at the end. Unless a first right has been given to one venture firm, he or she will likely be dealing with several firms at the same time. Frequently if one firm asks for additional information, the others will soon follow. The entrepreneur may consider assembling a secondary package of information that will bring all of the venture firms to the same point as quickly as possible. The secondary package might contain:

1. detailed breakdown of previous year's sales - by units, dollars, product, market or geographic region, and by customer;

2. profitability/gross margin analysis - by sales office or product line;

3. sales literature and detailed product specifications;

4. press clippings, trade journal articles, testimonials from customers, extracts from market research reports;

5. internal detailed financial statements, lists of accounts receivable and inventory, detailed marketing plans;

6. material contracts, shareholders' agreements, and employment contracts.

If the entrepreneur is likely to need several investors to raise the required amount of capital (which means the deal will be "syndicated"), he/she will need to decide quickly which one is most likely to lead the investment. Once a letter of intent has been provided by the lead investor, a meeting of the remaining interested parties could be arranged to help bring about the necessary syndicate.

The venture capitalist's due diligence efforts will normally include reference checks on each key member of the management team, discussions with the firm's key customers and suppliers, and inspection of the facilities and sales offices. The venture capitalist will also spend considerable time evaluating the market and competition and may retain technical or industry experts for specific assessments. In addition, he may have his legal counsel review material contracts and patents or his accounting advisors study the internal controls and accounting practices. Overall, the venture capitalist will be trying to learn as much as he possibly can prior to becoming an investor. He will not be looking to avoid doing the deal. He will usually have invested a great deal of time in the project by this point and will be extremely disappointed if he has to abandon the deal. Nonetheless, he has investors to answer to and he must act prudently.

The entrepreneur should also be doing his due diligence on the venture capitalists during this period. He should contact a number of each venture capitalist's investees to find out what kind of a relationship they have with their venture capital backer; whether the venture capitalist has been helpful; whether they attend board meetings and make a useful contribution; whether they add value by helping solve problems like finding new people, establishing financial controls, arranging introductions or raising more capital; and whether they were fair and reasonable when the company needed more money.

It would also be useful to ask the venture capitalists for the names of some of their less successful investments, who may be able to provide some useful observations on the style of their venture firm during difficult times.

The last component of the entrepreneur's due diligence is assessing the personal chemistry and work style of the prospective investors with his or her own. As previously noted, this will be a close working relationship, and it is critical that the parties feel comfortable with each other and that they share the same goals if it is going to succeed. No matter how much a venture firm seems to have to offer, if the parties are not compatible, the investment won't work.

8. Closing the Deal

This should be the easiest part of the process, although this step is never assumed to begin until the parties are actually ready to sign the documents. The advantage of all that has gone before is that, by the time the deal closes, a relationship has already been established between the entrepreneur and the venture capitalist and the stage is set for them to work productively together. The only thing left to do is open the champagne!

The deal

The letter of intent issued by the venture capitalist will outline the terms and conditions of the proposed investment, but the shareholders agreement will be the technical legal agreement between the two parties. The financing can be structured using preferred shares, common stock, convertible or straight debentures, warrants or a combination of these instruments. The profiles in the following section discuss some of the structures that might be used.

Some venture capitalists insist on having a controlling position, but most do not. However, to protect their investment as a minority shareholder, most venture capitalists will insist on certain rights, which will be reflected in the legal agreements. Such rights are likely to include:

- regular financial reporting and access to company information;
- seat(s) on the board of directors;
- approval of annual business plans, expenditures above a certain level, and all management salaries/new hires;
- right of first refusal on future financings, "piggy back" rights to sell alongside other selling shareholders, anti-dilution protection;
- key man insurance on the founder/president.

Post-investment relationship

While venture capitalists will have varying degrees of involvement with their investee companies, they are all interested in seeing their companies prosper. The venture capitalist can be an excellent sounding board for new ideas and has a large network of contacts that can be brought to bear to help build the company's business. Occasionally, there may be opportunities for working together with other companies backed by the venture capitalist or with companies that approach him for financing.

The venture capitalist understands the problems that a growing company can face and can assist in the long-term planning process and the development of corporate strategy. He can contribute to increased efficiency by effecting management controls through plans, budgets, and regular reports. The venture capitalist can be particularly helpful with introductions to investment advisors, institutional investors and bankers. He can also assist in bringing on experienced directors and through his network of contacts may be able to locate additions to the management team. He can help to set up stock option and employee incentive plans and by his presence as an investor can bring valuable credibility to a young company. Most importantly perhaps, he is a source of future financing and a readily accessible advisor to the business.

Why deals are turned down

Most deals never reach the formal due diligence stage and most venture capitalists close on less than three of every 100 deals that come to their attention. While disagreements over valuations can sometimes break a deal, the problem is more likely to be:

- management — incomplete team or over-reliance on one key individual;
- management — inexperienced at building a business and penetrating large markets;
- management — too little commitment;

- ❒ business plan - poorly thought through; lacking in research and realism;
- ❒ market — too small, too much competition or too little growth.

Many entrepreneurs are afraid that taking on venture capital means taking on an outside investor who will want to manage the company. Most venture capitalists have 20 to 30 companies in their portfolio, and the last thing they want to do is manage those companies. In fact, a venture investor generally only gets directly involved in the management of a company when his investment is in big trouble! His main objective, when doing a deal, is to bring to the management team whatever incremental value he can to help the company grow.

When it works properly, venture capital should, in the end, make both parties better off! The four successful Canadian companies profiled in the following section that chose the venture capital option are testimony to this.

VI A Tool for Growth: Some Canadian Success Stories

Many Canadian companies have discovered first hand that venture capital can be a powerful and valuable tool in pursuing their growth objectives. While they might have had some reservations about seeking equity capital from an outside investor initially, many of these firms are now great supporters of the venture capital option.

The experiences of four such companies are profiled below, representing a start-up investment, an expansion financing, a management buyout and a turnaround. When a company seeks out the best venture capital partner for its own circumstances and culture, the venture capital option can be highly beneficial to all concerned.

MDI MOBILE DATA INTERNATIONAL: A Startup Investment

A seed stage investment is a unique deal. In most other investments, a venture capitalist can look at a proposal and evaluate the company, its management, the competition and the market. In a seed stage invest-

ment that is difficult to do, since most of the pieces still have to be put in place. The investor usually sees a rudimentary technology intended for a market that is yet unserved, and often undefined. This was the case when Ventures West invested in MDI Mobile Data International.

The story of MDI started in 1977 when MacDonald, Dettwiler and Associates (MDA), a Vancouver computer systems firm, won a federal contract to develop a mobile data product and install a prototype system for the Vancouver Police Force. MDI was created when Bill Thompson, a local businessman, and Tom Purdy of MDA, agreed to "spin out" the core technology from MDA, and Ventures West Capital agreed to finance it. Ventures West, a Vancouver-based venture capital firm, was a shareholder in MacDonald Dettwiler and approved of the spin out because it would allow MDA to concentrate on its core business. Ventures West provided $450 000 of seed capital to finance the spin out and the launching of Mobile Data International.

The system being designed would allow data to be transmitted over conventional voice radio channels in a mobile environment. It would allow two-way communication of data in text form between mobile terminals, between mobile terminals and a fixed computer terminal, and between mobile terminals and host computers. At the time of the spin out, no one knew if the technology could work, or if it could, whether anyone would buy it.

The system sold by MDI today consists of three elements. Terminal products include both keyboard and display screen terminals for use in vehicles, and portable, hand-held terminals often used by employees operating on foot. Base communications equipment integrates the radio system, the computer system, and the mobile terminal system. The third element is the software to link MDI systems with other customer-owned computer equipment, and to provide alternative use features for the system.

At the outset MDI faced two major obstacles ... technical development and market acceptance. Both of these proved to be significant, and the latter almost insurmountable. The initial management group was unable to overcome these and other challenges, so in 1979, two years after they made their original investment, Ventures West installed Victor Jones as president. His two-year mandate included making the technology applicable to market requirements, finding a big lead order, and getting a long-term, market-oriented president for MDI.

Jones struggled with the first two aspects of his mandate for most of the two years, during which time the Vancouver Police received the first system. An installation was made in the Phoenix Fire Department, and Federal Express agreed to a small trial in Chicago. By late 1980, Ventures West was funding the company on a month-to-month basis, since the early cash had long since run out. They had invested a good deal of time and money in MDI by now and were seriously wondering if they would ever see anything for it.

One day in July 1981, Jones called Mike Brown (President of Ventures West) and told him that the prospects were bleak and there was no point in continuing to put up money. Jones agreed to compile the costs for winding up the firm, and to meet Brown the next morning to confirm the decision to close the company.

When Jones arrived at the Ventures West office, he was not carrying MDI's death certificate, but a telex from Federal Express saying that its trial was a success, that it was placing a $400 000 order, and that the cheque was in the mail (which in fact it was). The Federal Express order was the beginning of a strong relationship between the two companies that continues to this day. Federal Express estimates the productivity of its field force increased by 30 percent through the use of the mobile data communications network.

Later in the year, on schedule, Jones recruited Barclay Isherwood as MDI's long-term successor president. MDI has grown rapidly since 1981, with sales jumping from $1.9 million to more than $40 million by 1987. The firm had a net profit margin in 1987 of more than 10 percent.

In addition to the Vancouver plant, MDI now owns production facilities in Puerto Rico. This plant, which is run by the former manager of Mitel's Puerto Rican facilities, is valuable in terms of production, economics, and marketing. The latter benefit stems from the "Made in America" label which is so important to government purchasing agents in the U.S.

Barclay Isherwood was surprised at the value that was added by the venture capitalist at MDI. He credits Ventures West with attracting key personnel to the management of the firm. For Ventures West, this investment proved to be a major success, although it almost wrote it off along the way. Between 1978 and late 1981, Ventures West invested $1.25 million through debentures and preferred shares which carried an equity kicker. By 1983, Ventures West had been completely repaid (with interest), but still held 2 million common shares.

In September 1986, MDI made an initial public offering of common shares. Some of these were a secondary sale of securities, and MDI raised a total of $15.6 million. MDI had several objectives for the coming years, one of which was the diversification of the client base. Federal Express had been MDI's single largest customer since the beginning.

MDI's products started to penetrate a number of markets, including couriers, public safety organizations, utilities, and taxi companies. MDI's competition includes some firms operating in market niches, such as Kanata-based Gandalf Technologies, which operates in the taxi market. In terms of overall competition, the only other industry player is Illinois-based Motorola, Inc. which competed in every market. In the summer of 1988, Motorola paid about $100 million to buy all of the shares outstanding in MDI. Ventures West's shares, which had long since been sold or distributed to the fund's partners, were valued at about $27 million by the Motorola offer.

Even after Ventures West had distributed all the shares and gains from its MDI investment, the venture capital company continued to play a major role in the company. Mike Brown remained as MDI's Chairman of the Board; Victor Jones stayed on as a director; and Ted White, a Ventures West partner, was an active vice-chairman. Isherwood states that the role played by Ventures West in the building of MDI was crucial, and extended well beyond the provision of capital.

MDI is now part of one of the world's largest and most successful electronics companies. It expects to gain from Motorola's worldwide distribution network, and world-class R&D abilities. Furthermore, the credibility of Motorola with potential long-term clients will enhance the marketing process.

MDI Mobile Data International is a Canadian venture capital success story on all fronts. Significant financial gain through the creation of a new product, a new company, and a new market is the foundation of classical venture capital. An added bonus is the recognition that venture capitalists can, and do, add significant value to a young growth company.

COGNOS INC.:
Financing Expansion

Venture capital is an important source of capital for private companies that have their feet on the ground and are ready to enter into the expansion phase. The established capital markets are relatively weak in

this segment of the market. The amount of capital needed is often fairly large, but the company does not yet have the financial history to inspire the confidence of equity markets nor the assets to attract the interest of the chartered banks.Venture capitalists often fill this gap.

Cognos Incorporated is an Ottawa-based company that has benefitted from venture capitalists' interest in this type of financing. In 1982, Noranda Enterprise provided Cognos with expansion capital that helped the company to grow by 10 times over the next six years. Noranda Enterprise is the Ottawa-based venture capital arm of Noranda Inc., and usually invests in technology-oriented companies.

Cognos developed and successfully commercialized a fourth generation computer programming language (4GL), PowerHouse. The concept of a 4GL language is a simple and powerful one. As society devotes more and more resources to software development, programming productivity becomes increasingly important, given the limited supply and the expense of the inputs (programmers and computer time) required.

PowerHouse offers programmers in the Hewlett Packard, Digital Equipment and Data General mini-computer environments this productivity. A personal computer version of the product is also available for use on IBM PC/AT systems and most 386-based compatibles. PowerHouse improves programmer efficiency in these environments by a factor of 10.

Cognos was founded in 1969 as Quasar Systems Limited, which was a data processing consulting company that developed custom software packages for its clients. At this stage, programmer productivity was important for the firm as a user.

During the mid-1970s, Cognos began research into advanced programming languages. In 1979, it released its first software product, a productivity tool for computer programs available on the Hewlett Packard HP3000 Series minicomputer. In 1982, Cognos made a strategic decision to focus solely on the opportunities in the market for software development tools, and by 1984, custom software development operations had been discontinued.

In 1981, Cognos and Noranda Enterprise Limited discussed an investment proposal but could not agree on a valuation of Cognos or on the share of the equity that Noranda would acquire. Eighteen months later, Noranda made a direct investment in Cognos, and at the same time, bought out an existing outside shareholder.

Two key factors influenced Doug Cameron and his team at Noranda in their decision to become a major shareholder of Cognos ... the high-quality, highly principled, and multi-disciplinary management team at Cognos; and the worldwide opportunities of a first-class product aimed at increasing programmer efficiency in the vast software market.

Michael Potter, CEO of Cognos, believes that Noranda has added significant value to the company above and beyond the capital committed. Noranda's experience in the development of a high technology company; its discipline in periods of business difficulty; and its commitment to the long-term success of Cognos have all proved to be very valuable to Cognos.

Cameron's experience and discipline were crucial in keeping the firm on track through the inevitable difficult periods of building a business. During these times, growing firms typically abandon plans and operate in an ad hoc fashion. An active board member who had been through it before was extremely beneficial to the firm.

Noranda's commitment has been displayed in many ways. While many investors use their position on the board and audit committee solely as a means of monitoring the performance of their investment, Michael Potter credits Doug Cameron with using his position on the board, and several of its committees, to help build the business.

Noranda also demonstrated its commitment by referring the PowerHouse products throughout the Noranda/Brascan management information network. Although this did not lead to an overwhelming number of orders, it did significantly increase Cognos' exposure.

In addition to adding value, Noranda of course has had to invest capital. The financial history of the relationship between Cognos and Noranda does have an interesting twist. Noranda made three direct venture capital investments in Cognos between 1982 and December 1983, totalling over $6.4 million.

In addition to its original secondary purchase in 1982, Noranda has made several subsequent share purchases, primarily from managers of Cognos, when they needed liquidity. These purchases gave existing shareholders additional comfort, knowing their investment of money and effort had some degree of liquidity.

Noranda continued to show its financial commitment to Cognos when the company made its initial public offering on the Toronto Stock

Exchange in 1986, and Noranda purchased shares in the offering. This purchase was an important signal to public market investors. In many cases these investors are committing capital to a firm while existing shareholders are cashing out, a situation that often generates concern. If the firm is as good an investment as shareholders are being told, why are people who know this better than others abandoning ship? By purchasing shares Noranda was telling potential Cognos shareholders that an existing investor believed it was a good bet.

In all, one-third of the shares held by Noranda came through the secondary public market purchases. In July 1987, Cognos made an offering of shares on the NASDAQ exchange in the U.S. After this offer-ing (in which Noranda sold a small portion of its holdings), Noranda owned slightly more than 20 percent of the shares outstanding in Cognos.

In the year ending February 1988, Cognos achieved annual revenues of $83 million with net income of approximately $5 million. This represents significant growth from $9.7 million of product revenues and net income of $900 000 achieved in 1982, the year Noranda made its initial investment.

To achieve these results, Cognos emphasizes strong, well compensated management and a strong commitment to research and development. In 1988, research and development expenditures exceeded $11 million. Cognos believes its future lies in good management and a premier product.

The future for Cognos hinges on three factors: increasing the market penetration of its current products; successfully bringing to market products that address a broader audience; and expanding the size of the market.

To achieve increased penetration, Cognos emphasizes its direct sales networks, with more than 40 offices located around the world. It is expanding this network, beginning to use value added resellers and distributors, and modifying its products for programming in other languages such as French. Furthermore, its existing base of sales adds to the firm's credibility. One of the most important factors in the purchasing decision of a product of this complexity is the confidence that the firm will be around to provide the service and updates required. In other words, sales lead to sales.

Cognos has released, and will continue to release applications products using the 4GL language, moving into a value-added area of the

market. Currently, PowerHouse has options that relate to areas such as graphics, user reporting, instant prototyping and automatic documentation. These are value-added products for programmers. As well, Cognos offers direct end-user packages based on 4GL capability. These include an accounting system known as MULTIVIEW, and a financial planning tool known as POWERPLAN.

The size of the market for PowerHouse is a function of the number of organizations that use the Hewlett Packard, Digital Equipment and Data General minicomputers on which PowerHouse can be used.

PowerHouse is now available for use on IBM PC/AT systems and compatibles, as well as 386-based machines. The company recently introduced an expansion to its product line in PowerHouse StarBase, an advanced, SQL relational database management system.

The future looks bright for Cognos. Noranda, as a long-term investor, intends to share in this future.

VISWAY TRANSPORT INC.:
A Management Buy Out

Management buy outs (MBOs) are different from other types of venture investments. In a MBO financing, the venture capitalists provide management with the equity capital they need to purchase a major position in companies for which they have often worked for many years. Many large corporations have become much more receptive to divesting themselves of non-mainstream subsidiaries or divisions in recent years, and MBOs have become a mechanism for these divestitures.

Since the resident management team is usually experienced and the business profitable (or showing the potential to be turned around in a relatively short time), many venture investors find it easier to assess the risks associated with this type of investment than those as-sociated with early stage deals.

The story of Visway Transport Inc. is an example of a highly successful venture-backed MBO. The venture investors, management and the company have all benefitted significantly from this buy out.

At the end of 1983, Avis Canada, Inc., Avis's Canadian truck leasing and rental operation, was in a solid position. The company had been generating annual revenue increases in excess of 15 percent for several

years, and it was profitable. But the company, which was wholly owned by Avis Leasing Corporation, U.S.A. (New York), was something of an orphan. Avis's U.S. truck leasing and rental business had not been as healthy as its Canadian counterpart, so the company decided to divest itself of its North American truck operations in 1982. Avis made the decision to concentrate its efforts and resources on its car rental and leasing operations ... and Avis Canada, Inc. was on the selling block.

By the end of 1983, Avis had divested itself of its truck leasing and rental operations in the U.S. and the U.K. At the time, Pierre Habib was President and General Manager of Avis's Canadian operations, which included both car and truck rental and leasing. He had been with the Avis organization for eight years. Given the strength of the Canadian operation, and the corporate divestiture strategy, Habib recognized an opportunity ... Avis Canada was a logical candidate for a management buy out.

In late November 1983, Habib incorporated a new company, Visway Transport Inc. as the vehicle with which to acquire Avis Canada, Inc. In March 1984, Visway Transport Inc. purchased all outstanding shares of Avis Canada, Inc. for $23 million ($3 million in equity and $20 million in bank debt), and changed the name to Visway Leasing Inc.

Visway also negotiated an exclusive licence to use the Avis name in conducting truck leasing and rental activities in most major cities in Ontario and Quebec.The term of the agreement is 10 years, with Visway having the right to extend for an additional 10 years, subject to renegotiation of related fees.

Habib arranged the venture financing for the equity component of the buy out through Charterhouse Canada Limited (now Hendron Holding Corp.), which acted as the lead investor, North American Ventures Fund II, the Mercantile Bank of Canada, Irving Bank of Canada, and another institutional investor who subsequently sold out on a pro rata basis to the other investors.

Habib also made a significant financial commitment. Although the financial commitment of the entrepreneurs in an MBO may often seem insignificant in the context of the total financing, they are normally very significant from the individual's perspective. In many cases, entrepreneurs will mortgage their financial futures to deliver their share of the capital. Venture capitalists expect a strong show of personal commitment from the entrepreneurs they back, and the case of Pierre Habib was no exception.

There are two stages to the eventual exit from this type of buy out investment which combine to generate a deal structure that is not a simple purchase of common shares. The first stage allows investors to get their capital back; the second allows them to realize a profit. The investors in Visway took their position in redeemable preferred shares with dividends, special shares, and common shares. The deal was structured to allow Habib to maximize his ownership position if he redeemed the preferreds at a predetermined rate over a seven-year period.

After the buy out in March 1984, Habib continued to lead Visway along a strong growth path. The fleet was expanded by more than 100 units in fiscal 1984 and by more than 400 units in fiscal 1985. Late in 1984, Visway acquired Quebec Truck Bodies Inc., which manufactures, installs and repairs truck bodies on light and medium truck cabs and chassis, allowing Visway to provide its customers with prompt delivery of new truck bodies and rapid repair services for existing stock.

Visway continued to engage in full service truck leasing, short-term truck rental, finance leasing of trucks, and related services (fuel sales and repair services for customer-owned vehicles) through its 10 truck centres in Ontario and Quebec. By the spring of 1985, Visway was strong enough and sufficiently well positioned to begin the process of "going public". In October 1985, Visway made an initial public offering (IPO) of its shares through the Montréal Stock Exchange.

Habib took advantage of the Quebec Stock Savings Plan to make a public offering of Visway shares on the Montréal Exchange. Some 1.5 million common shares were sold (bringing total shares outstanding to 4.4 million taking into account a 7-for-1 stock split prior to the offering) at $7.25 per share. The offering raised a total of $11.2 million to retire bank loans (increasing existing lines of credit for fleet expansion), and to redeem the outstanding preferred shares.

After completion of the offering, $2.6 million of the $2.75 million originally invested to finance the buy out was returned to the venture investors. Step one of the exit process had been completed and virtually all of the original capital had been returned to the four outside investors after only 18 months.

After the IPO, the venture investors were well positioned for the second part of the exit from their investment ... to realize a significant profit. After the redemption of their special and preferred shares, their combined carrying cost was only $160 000 which was their cost of the common shares. Through these shares, they collectively owned 26

percent of the company after the public offering. The venture investors continued to hold positions on Visway's board of directors.

The IPO left the company with more than $8 million in new equity capital after the redemption of all outstanding preferred and special shares, which allowed Visway to strengthen its position considerably, largely by reducing its leverage from about 9.3 to 3.9. The new equity was used to continue to expand the fleet and its branch network.

In late 1985, Visway acquired Hamilton, Ontario-based Guardsman Equipment Leasing Limited, giving it a stronger foothold in the tractor trailer business and improved access to the highly industrialized Golden Horseshoe market.

Visway's core business is largely resistant to both economic and seasonal fluctuations. It is also part of a relatively young and rapidly growing industry. Only 20 percent of truck sales in Canada now go to truck leasing and rental companies compared with 60 percent in the United States. Industry analysts expect these sales to reach 60 percent and 90 percent respectively by the end of the decade, indicating the expectations for future growth.

Visway has capitalized on the industry's growth and has achieved a 20 percent annual compound growth rate in revenues over the past five years. The customer base is diversified and stable, with almost half of Visway's customers being among the 200 largest Canadian corporations, enhancing the company's ability to maintain this growth.

Visway, Pierre Habib and the venture investors have all benefitted from the buy out. Habib maintained a strong and growing Canadian company. By 1987, Visway had annual revenues of $58 million. In February 1988, after the stock market crash, Visway was acquired by Quebec-based Intercan Leasing Inc. for $32 million, which generated attractive returns for all concerned. The financial risk that Habib took at the outset paid off handsomely and the venture investors who stayed in got four times their capital back in four years.

TREE ISLAND INDUSTRIES LTD:
A Turnaround Investment

The Federal Business Development Bank's investment in Tree Island Steel Co. Ltd. is a successful case study of a turnaround investment. Tree Island is a Richmond, B.C.-based wire drawing manufactur-

ing company that makes steel products such as nails, bailing wire and strands for wire rope. The firm was founded in 1964 and had expanded rapidly and profitably through to 1978, when, in hindsight, its troubles began.

The company had expanded its Richmond plant to an 80 000 ton capacity. It had also acquired a wire lathe factory in California in 1975, which was performing well. But in 1978, Tree Island duplicated its Richmond facilities in California ... and by 1981, this decision was creating dire consequences.

Long distance management and control proved more difficult than expected. By the time problems in areas such as inventory management, production efficiency and financial controls were worked out, the high interest rates of 1981 had arrived, stifling Tree Island's markets and increasing its debt service costs. By 1984, the Canadian company's accumulated tax loss was $23 million and its U.S. subsidiary's was $19 million.

In addition to these income statement difficulties, there were balance sheet problems as well. During the 1970s, Tree Island had received financial assistance for its expansion from a Japanese trading company. During the crisis of the early 1980s, this firm provided additional much needed help, but with very stringent repayment requirements. If a substantial portion of their investment was not repaid by the end of 1984, control of the firm would change from Canadian to Japanese. Furthermore, and as one would expect, the firm's chartered bank was becoming quite impatient. The bottom line was Tree Island needed to do a $48 million capital reorganization. It was under these circumstances that Tree Island's senior management approached the FBDB's venture capital officers in July 1984 looking for $10 million.

The FBDB's venture capital activities began during the 1970s as an offshoot of its term lending on a deal-by-deal basis. After a while, a significant portfolio of equity investments had been created and in 1983, a decision was made to create a division that concentrated on making, managing, and exiting from non-term debt investments.

At the time, the FBDB's total venture capital pool was only $29 million, so the investment being contemplated in the troubled Tree Island would account for more than a quarter of the group's total resources. The only reason the discussion progressed beyond polite conversation was the FBDB was aware of some of the past successes of the Tree Island shareholders and management.

The FBDB team visited the Tree Island plant in Richmond, meeting with senior managers and plant supervisors. Two things became apparent at this meeting. One was that all the people at Tree Island were confident and optimistic, the atmosphere was positive, the plant was efficient, clean and well laid out. Furthermore, operating and financial information showed that the Richmond facilities were, on a normalized basis, very profitable. The firm was very capable of turning out quality product at a low cost.

It was with this impression of a well run, profitable operating company mired in non-directly related financial problems, that the FBDB team decided to approach their investment committee. Given FBDB's capital pool size, they proposed to invest $2.5 million directly and to underwrite a further $2.5 million worth of common shares. Initial blessing was provided by the committee and the due diligence began. By mid-December, the deal was done, and the FBDB contributed 50 percent of the required equity capital. With this $10 million of new equity and with the debt restructured, the financial reorganization was complete, and time alone would determine whether the confidence of the investors was justified.

It did not take long for the investors to be proved right. Upon completion of the reorganization, financial stability prevailed and management was able to concentrate on increasing plant efficiencies and profits, which they did. Given the firm's growing sales, and its desire to expand further, more capital was needed and Tree Island decided a public offering was in order. In early 1986, the firm went public at an issue price of $10 per share, which was almost triple what the FBDB had paid just two years earlier.

The FBDB continued to hold its investment. Tree Island kept on increasing its profits, ate up all its tax loss carry-forwards, turned the debt/equity ratio upside down, expanded its capacity and paid healthy dividends to its shareholders. In 1987, the firm had revenues exceeding $90 million, net income exceeding $13 million, and cash flow from operations exceeding $20 million.

In February 1989, Georgetown Industries Inc. of Charlotte, North Carolina, purchased Tree Island Industries for $120 million. Under the terms of the offer, the Venture Capital Division of the FBDB netted a 43 percent compounded rate of return on its $5 million investment.

VII ACVCC Investment Activity: Statistical Review

Introduction

Each year Venture Economics conducts a survey of venture capital firms and other investment groups that provide long term equity or near equity financing for private Canadian businesses. Members of the Association of Canadian Venture Capital Companies (ACVCC) make up most of "the industry" but there are some investors who are not part of the ACVCC. The survey captures data on investments made by non-members as well.

The analysis presented in this report reflects the activity of members of the ACVCC. Each year the Association has added members and accounts for a growing share of the industry's activity as a whole. In 1990, members accounted for 95% of total industry activity, up dramatically from 78% in 1989. The growth is the result of increased membership and an overall decline in activity by the reporting non-members. Restating 1989's ACVCC totals for groups that are currently known to be members but were not at the time of the 1989 analysis, reveals that overall investment activity even amongst current members has been in decline over the last year. This decline is even more pronounced for the industry as a whole (down 18% versus 16%).

ACVCC Membership Investment Activity Versus Total Industry Investment Activity

	1990	1989	Change	1989 Restated [1]	Change
Amount Invested By Members	$266 MM	$267 MM	—	$316 MM	(16%)
Amount Invested by Total Industry	$280 MM	$343 MM	(18%)	$343 MM	(18%)
ACVCC share of Total Industry	95%	78%	22%	92%	3%
No. of Investments by Members	248	300	(17%)	346	(28%)
No.of Investments by Industry	266	359	(26%)	359	(26%)
ACVCC share of Total Industry	93%	84%	11%	96%	(3%)

[1] Restated to include 1989 activity of all groups that are now Members of the Association even if they were not known to be members in 1989.

The following ten tables provide a statistical overview of the investment activity of active members of the Association. All historical comparisons have to be made in light of the growing and changing membership of the Association and the fact that member participants in the survey change from year to year. Venture Economics is confident that the 1990 analysis is representative of the activity of the industry as a whole. Parties interested in a review of the total industry activity, particularly in a historical context, should refer to the appropriate issues (May of each year) of *Canadian Venture Capital.*

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B) Investment Activity by Type of Investee Company (Private versus Public)

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III Investment Activity by Percentage of Total Assets of Venture Capital Investees

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*TABLE I
ACVCC INVESTMENT ACTIVITY BY TYPE OF INVESTMENT & RECIPIENT COMPANY

NUMBER OF INVESTMENTS AND AMOUNT INVESTED IN RECIPIENT ($MILLIONS)

A) TYPE OF INVESTMENT

	1990				1989				AVERAGE 1984-1988			
	INVESTMENTS		AMOUNT INVESTED		INVESTMENTS		AMOUNT INVESTED		INVESTMENTS		AMOUNT INVESTED	
	#	%	$	%	#	%	$	%	#	%	$	%
New investments	136	55%	164.6	62%	190	63%	176.1	66%	109	55%	120.3	65%
Additional investments	112	45%	101.6	38%	110	37%	91.1	34%	90	45%	63.6	35%
	248	100%	266.2	100%	300	100%	267.2	100%	199	100%	183.9	100%

* Does not include investments by venture capitalists in other Canadian venture capital funds (since this would lead to double counting.

B) TYPE OF RECIPIENT COMPANY

	1990				1989				AVERAGE 1984-1988			
	INVESTMENTS		AMOUNT INVESTED		INVESTMENTS		AMOUNT INVESTED		INVESTMENTS		AMOUNT INVESTED	
	#	%	$	%	#	%	$	%	#	%	$	%
Private companies	231	93%	232.2	87%	279	93%	247.9	93%	179	90%	145.8	79%
Public companies	16	6%	31.6	21%	21	7%	19.3	7%	19	10%	32.5	18%
Not Applicable	1	0%	2.4	1%	0	0%	0.0	0%	1	1%	5.6	3%
	248	100%	266.2	100%	300	100%	267.2	100%	199	100%	183.9	100%

TABLE II
ACVCC INVESTMEMT ACTIVITY BY STAGE & REVENUE OF RECIPIENTS

A) STAGE IN CORPORATE LIVE CYCLE OF VENTURE CAPITAL RECIPIENT

NO. OF INVESTMENTS AND AMOUNT INVESTED IN RECIPIENT ($MILLIONS)

	1990				1989				AVERAGE 1984-1988			
	#	%	$	%	#	%	$	%	#	%	$	%
Startup	58	23%	47.6	18%	90	30%	28.8	11%	58	29%	32.9	18%
Turnaround	14	6%	19.7	7%	13	4%	14.1	5%	5	3%	7.6	4%
Development	33	13%	18.7	7%	51	17%	17.6	7%	29	15%	13.2	7%
Expansion	79	32%	85.2	32%	77	26%	69.6	26%	64	32%	54.3	30%
Buyout	34	14%	76.8	29%	51	17%	112.9	42%	26	13%	44.0	24%
Other Situation	30	12%	18.2	7%	13	4%	21.5	8%	15	7%	31.3	17%
Did not state		0%		0%	5	2%	2.7	1%	2	1%	0.6	0%
	248	100%	266.2	50%	300	100%	267.2	100%	199	100%	183.9	100%

B) GROSS REVENUE OF VENTURE CAPITAL RECIPIENTS

	1990						1989						AVERAGE 1984-1988			
	INVESTMENTS		COMPANIES		AMOUNT INVESTED ($MILLIONS)		INVESTMENTS		COMPANIES		AMOUNT INVESTED ($MILLIONS)		INVESTMENTS		AMOUNT INVESTED ($MILLIONS)	
	#	%	#	%	$	%	#	%	#	%	$	%	#	%	$	%
$0 - $1	50	20%	44	20%	29.1	11%	62	21%	53	21%	20.8	8%	60	30%	26.8	15%
$1 - $4	22	9%	20	9%	16.1	6%	42	14%	37	15%	28.9	11%	32	16%	18.6	10%
$4 - $9	10	4%	9	4%	13.4	5%	23	8%	20	8%	17.2	6%	23	12%	22.3	12%
Over $9	50	20%	44	20%	90.5	34%	46	15%	42	17%	86.9	33%	43	22%	69.3	38%
Did not state	116	47%	104	47%	117.5	44%	127	42%	102	40%	113.4	42%	41	20%	46.9	26%
	248	100%	221	100%	266.6	100%	300	100%	254	100%	267.2	100%	199	100%	183.9	100%

TABLE III
ACVCC INVESTMENT ACTIVITY BY PERCENTAGE OF TOTAL ASSETS LOCATED IN CANADA OF VENTURE CAPITAL INVESTEES

	1990 INVESTMENTS		1989 INVESTMENTS		AVERAGE 1984-1988 INVESTMENTS	
	#	%	#	%	#	%
100%	162	65%	199	66%	123	62%
50% - 99%	11	4%	11	4%	18	9%
01% - 49%	0	0%	5	2%	3	1%
0%	25	10%	51	17%	41	21%
did not state	50	20%	34	11%	15	7%
	248	100%	300	100%	199	100%

TABLE IV
ACVCC INVESTMENT BY LOCATION OF PRINCIPAL FACILITY
NUMBER OF INVESTMENTS AND AMOUNT INVESTED

	1990				1989				AVERAGE 1984-1988			
	INVESTMENTS		AMOUNT INVESTED		INVESTMENTS		AMOUNT INVESTED		INVESTMENTS		AMOUNT INVESTED	
LOCATION	#	%	$	%	#	%	$	%	#	%	$	%
Ontario	94	38%	68.9	26%	92	31%	87.9	33%	62	31%	56.1	30%
Quebec	58	23%	86.1	32%	94	31%	104.6	39%	36	18%	42.8	23%
Alberta	28	11%	39.7	15%	47	16%	26.9	10%	24	12%	23.1	13%
British Columbia	28	11%	23.0	9%	23	8%	23.3	9%	17	9%	11.2	6%
Manitoba & Saskatchewan	12	5%	9.7	4%	6	2%	4.8	2%	9	5%	4.4	2%
Atlantic Canada	3	1%	4.9	2%	0	0%	0.0	0%	2	1%	0.8	0%
Canada (unknown province)	0	0%	0.0	0%	3	1%	2.9	1%	3	2%	5.4	3%
Foreign Countries	25	10%	33.9	13%	35	12%	16.9	6%	46	23%	40.0	22%
Did not specify	0	0%	0.0	0%	0	0%	0.0	0%	0	0%	0.2	0%
	248	100%	266.2	100%	300	100%	267.3	100%	199	100%	183.9	100%

TABLE V
ACVCC INVESTMENT ACTIVITY BY FORM OF INVESTMENT
Number of Investments and Recipient Companies

FORM OF INVESTMENT	1990 NUMBER OF INVESTMENTS		1990 NUMBER OF COMPANIES		1989 NUMBER OF INVESTMENTS		1989 NUMBER OF COMPANIES		AVERAGE 1984-88 NUMBER OF INVESTMENTS	
	#	%	#	%	#	%	#	%	#	%
Common stock	87	35%	74	33%	76	25%	66	26%	57	29%
Preferred stock:										
Normal	4	2%	3	1%	10	3%	9	4%	13	7%
Convertible	14	6%	13	6%	19	6%	11	4%	20	10%
Both	0	0%	0	0%	0	0%	0	0%	1	0%
Subordinated Debt:										
Normal	6	2%	6	3%	21	7%	20	8%	23	12%
Convertible	24	10%	23	10%	30	10%	25	10%	15	8%
Both	1	0%	1	0%	0	0%	0	0%	1	1%
Debt with common	22	9%	22	10%	45	15%	40	16%	21	11%
Debt with preferreds	6	2%	5	2%	6	2%	5	2%	6	3%
Debt with preferred & com	7	3%	6	3%	7	2%	5	2%	4	2%
Preferred & common	17	7%	16	7%	27	9%	19	7%	18	9%
Joint venture/partnership	1	0%	1	0%	0	0%	0	0%	1	1%
Other	23	9%	23	10%	26	9%	26	11%	10	5%
Not stated	36	15%	28	13%	33	11%	28	11%	7	4%
	248	100%	221	100%	300	100%	254	100%	199	100%

TABLE VI
ACVCC INVESTMENT ACTIVITY BY NATURE OF BUSINESS ACTIVITY OF RECIPIENT

NUMBER OF INVESTMENT, RECIPIENTS AND AMOUNT INVESTED

Industry	1990 INVESTMENTS #	%	COMPANIES #	%	AMT. INVESTED ($MILLIONS) $	%	1989 NVESTMENTS #	%	COMPANIES #	%	AMT. INVESTED ($MILLIONS) $	%	AVERAGE 1984-1988 * INVESTMENTS #	%	AMT.INV. ($MILLIONS) $	%
Communications	15	6%	13	6%	19.7	7%	22	7%	19	7%	12.5	5%				
Computer Related	46	19%	41	19%	26.0	10%	45	15%	33	13%	23.0	9%				
Other Electronics	18	7%	17	8%	6.5	2%	27	9%	22	9%	17.0	6%				
Genetic Engineering	15	6%	9	4%	10.1	4%	7	2%	7	3%	6.8	3%				
Medical/Health Related	11	4%	15	7%	9.0	3%	15	5%	15	6%	7.6	3%				
Industrial Automation	5	2%	2	1%	2.6	1%	13	4%	12	5%	3.8	1%				
High Technology	110	45%	97	44%	73.9	28%	129	43%	108	43%	70.7	26%	104	52%	73.8	40%
Industrial Products	23	9%	19	9%	47.9	18%	33	11%	30	12%	26.2	10%	17	8%	20.6	11%
Consumer Related:																
Products	23	9%	19	9%	34.5	13%	33	11%	27	11%	20.2	8%	14	7%	14.5	8%
Services	18	7%	16	7%	27.5	10%	20	7%	19	7%	28.8	11%	13	6%	10.4	6%
Natural Resources	15	6%	12	5%	9.7	4%	18	6%	13	5%	11.0	4%	15	8%	9.6	5%
Financial Groups	7	3%	7	3%	11.5	4%	3	1%	3	1%	5.0	2%	4	2%	13.9	8%
Other	43	17%	42	19%	49.4	19%	64	21%	54	21%	105.4	39%	33	17%	41.1	22%
Did Not Specify	8	3%	8	4%	11.8	4%										
	247	100%	220	100%	266.2	100%	300	100%	254	100%	267.2	100%	199	100%	183.9	100%

(* 1984 High Technology Companies not segregated by industry)

TABLE VII
ACVCC INVESTMENT ACTIVITY BY NUMBER OF EMPLOYEES IN RECIPIENT COMPANIES

NUMBER OF INVESTMENTS AND RECIPIENT COMPANIES

No. of employees	1990 INVESTMENTS		1990 COMPANIES		1989 INVESTMENTS		1989 COMPANIES		AVERAGE 1984-1988 INVESTMENTS	
	#	%	#	%	#	%	#	%	#	%
0-24	88	35%	79	36%	100	33%	83	33%	65	33%
25-49	29	12%	24	11%	33	11%	27	11%	31	16%
50-99	17	7%	15	7%	24	8%	22	9%	22	11%
100-199	20	8%	17	8%	17	6%	14	5%	16	8%
200-499	16	6%	15	7%	10	3%	8	3%	13	6%
500-999	6	2%	5	2%	4	1%	4	2%	6	3%
1000-2999	1	0%	1	0%	3	1%	3	1%	2	1%
>3000	0	0%	0	0%	1	0%	1	0%	1	0%
did not report	71	29%	65	29%	108	36%	92	36%	43	22%
	248	100%	221	100%	300	100%	254	100%	199	100%

TABLE VIII
PUBLIC SECTOR, PRIVATE SECTOR AND HYBRID MEMBERS: A COMPARISON

	1990			1989		
	PUBLIC SECTOR	PRIVATE SECTOR	HYBRIDS	PUBLIC SECTOR	PRIVATE SECTOR	HYBRIDS
Number of investments	71	139	38	99	171	40
Total dollars invested	$29.5 million	$170.3 million	$66.4 million	$39 million	$182.6 million	$45.7 million
Average dollar value of all investments	$415,000	$1,225,000	$1,840,000	$390,000	$1,070,000	$1,140,000
Proportion of startup recipients	41%	15%	21%	53%	9%	23%
Proportion of turnaround recipients	4%	4%	16%	3%	4%	8%
Proportion of development and expansion recipients	53%	41%	45%	40%	49%	35%
Percentage of investees with principal facility located in Canada	100%	84%	92%	100%	81%	93%
Percentage of investees with principal facility located in Ontario	56%	32%	0%	39%	36%	0%
Percentage of investees with 100% of assets located in Canada	100%	76%	92%	100%	46%	93%
Percentage of investees with greater than 50% of assets located in Canada	100%	84%	92%	100%	66%	93%
Percentage of investees with gross revenues of $0-$1 million	34%	14%	16%	35%	21%	12%
Percentage of investees with gross revenues of $1-$4 million	15%	6%	8%	13%	38%	12%
Percentage of investees with 0-24 employees	80%	19%	11%	47%	27%	16%

Table IX

Profiles of Full Members

	1990	1989
Number of Members Responding	34	36
Total Number of Investments in Portfolio	949	950
Average Number of Investments	28	26
Cost of Investments	$1,354,000,000	$1,350,000,000
Average Cost Per Reporting Full Member	$39,800,000	$37,400,000
Estimated Market Value of Investments	$1,571,000,000	$1,715,000,000
Average Estimated Market Value Per Reporting Full Member	$46,200,000	$47,600,000

Notes:

1. Data for Private, Public and Hybrid Sector members included.

2. Where no estimated market value was provided, the cost was assumed to equal the market value.

3. While 136 new investments were reported in Table 1 earlier, the total number of portfolio investments actually decreased by 1 over 1989. The difference would typically be explained by dispositions and the fact that the composition of respondents differs from year to year.

Table X

Profiles of Professional Staff Employed by Full Members as at December 31, 1990

Years of Experience	Number of Professionals
1 - 2	48
3 - 5	63
6 - 10	40
11 - 15	29
16 - 20	9
Over 20	5
	194

Notes:

1. Data for Private, Public and Hybrid Sector members included.
2. Average Number of Employess per Member Company: 5.4
3. Range (Fewest Employees to Most Employees): 1 - 20

VIII Sources of Venture Capital in Canada

AGENCE QUEBECOISE DE VALORISATION INDUSTRIELLE DE LA RECHERCHE (AQVIR)

C.P. 1116, Succ. Place du Parc
Montreal, Quebec H2W 2P4
514-873-3395

Contacts:
Claude Richard, President
Jacques Archambault, Vice President Development
Robert Lachance, Innovation Agent

Firm Information:
Year founded: 1984
Capital under management: $50 million
Number of investments (1990): 143
Amount invested (1990): $50 million
Type: Crown-related

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role in deals created by others

Types of Financings:
Research & development

Minimum Investment: $50 000

Preferred Investment: $250 000-$500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 3 years)

Geographical Preferences:
Quebec only

Industry Preferences

None

Businesses Excluded:
Any business that is not involved in a R&D project for the development of an innovative product or technology with a good market potential.

Methods of Compensation:
Royalties on sales of developed product.

ALBERTA OPPORTUNITY COMPANY

Suite 1405, Canada Trust Tower
10104-103 Avenue
Edmonton, Alberta T5J 0H8
403-428-6118

790-10655 South Port Road S.W.
Calgary, Alberta T2W 4Y1
403-297-6437

Contacts:
S.H. Wittenberg, Manager, Edmonton
G.E. Taylor, Manager, Calgary

Firm Information:
Year founded: 1987
Capital under management: $25 million
Investments (1990): 27
Amount invested (1990): $25 million
Type: Crown-related (Corporation of Alberta Government)

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Startup financing
First stage financing
Second stage financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: (Except LBO's)
$250 000-$5 million

Preferred Investments (LBO): $1-5 Million

Minimum Operating Data:
Annual Sales: $500 000
Annual Sales (LBO): $10 million
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Alberta

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Construction and building materials
Forestry

Businesses Excluded:
Farming/Ranching
Housing
Highly competitive situations

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ALTA-CAN TELECOM INC.

26H, 411-1st Street S.E.
Calgary, Alberta T2G 4Y5
403-530-3663

Contacts:
Dr. Michael E. Raymont, President and CEO
David F. Campbell, Director of Finance
Terry L. Umbach, Director of Technology
Peter H. Standeven, Special Consultant

Firm Information:
Year founded: 1982
Capital under management: $15 million
Investments (1990): 6
Amount invested (1990): $9 million
Type: Subsidiary of telecommunications corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Startup financing
First stage financing
Second stage financing
Mezzanine financing

Minimum Investment: $250 000

Preferred Investment: $500 000-1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 1-2 years)

Geographical Preferences:
Western Canada

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery

Businesses Excluded:
Real estate
Financial services
Merchandising
Resource industries
Long-term manufacturing
Retail services

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ALTAMIRA CAPITAL CORP.

475 Michel Jasmin
Dorval, Quebec H9P 1C2
514-631-2682

Contact:
C. Winn, Vice President, Finance

Firm Information:
Year founded: 1984
Capital under management: $150 million
Investments (1990): 13
Amount invested (1990): $115 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Startup financing
Second stage financing
Leveraged buyout

Minimum Investment: $500 000

Preferred Investment: $1 - $3 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even

Geographical Preferences:
Canada and NE USA

Industry Preferences

Communications:
Data communications
Telephone related

Computer Related:
Hardware related
Software related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Metal fabrication
Finance and insurance
Publishing

Businesses Excluded:
Natural resources
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

BCE VENTURES CORPORATION

P.O. Box 188, First Canadian Place, Suite 6200
Toronto, Ontario M5X 1A6
416-865-3050

Contacts:
Raymond J. Herpers, President and CEO
Les Barton, Vice President
James H. Boyle, Vice President
Dale Scott, Vice President and General Counsel
Andrew M. Smullen, Vice President and Controller

Firm Information:
Year founded: 1988
Capital under management: $84 million
Investments (1990): 27
Amount invested (1990): $70 million
Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others
Types of Financings:
Seed
Startup financing
First stage financing
Second stage financing
Mezzanine financing

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
National
U.S.

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related
Mobile

Computer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related

Industrial Products & Equipment:
Chemicals and materials
Robotics/vision systems
Controls and sensors
New materials and processes

Medical/Health Related:
Non patient invasive electronics applications

Businesses Excluded:
Entertainment

Methods of Compensation:
Return on investment is of primary concern; do not charge fees

BG ACORN CAPITAL FUND

141 Adelaide Street West
Toronto, Ontario M5H 3L9
416-362-9009

Contacts:
Eduard Mayer, President

Firm Information:
Year founded: 1984
Capital under management: $19 Million
Investments (1990): 14
Amount invested (1990): $7 Million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): $15-$100 million
Profit & Loss: Break even

Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications

Computer Related:
Software related

Consumer:
Consumer products

Energy/Natural Resources:
Drilling and exploration services

Miscellaneous:
Construction and building materials

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

THE BANK OF NOVA SCOTIA

Scotia Plaza
44 King St W.
Toronto, Ontario M5H 1H1
416-866-5118

Contacts:
P.H. Frost, Assistant G.M.

Firm Information:
Type: Venture capital division of commerial bank

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing

Minimum Investment: $250 000

Preferred Investment: $1-$3 million

Geographical Preferences:
No preference

Industry Preferences

No preference

BETWIN INVESTMENTS INC.

Box 954
Sault Ste. Marie, Ontario P6A 5N5
705-945-9700

Contacts:
D.B. Stinson, President

Firm Information:
Capital under management: $300 000
Investments (1990): 2
Amount invested (1990): $150 000
Type: Private venture capital firm

Project Preferences

Role in Financing:
Prefer role as deal originator

Type of Financing:
Second stage financing
(Usually companies 1-3 years old)

Minimum Investment: $100 000

Preferred Investment: $100 000-$250 000

LBO Financing:
Preferred size of investment $250 000
Sales range of company to be financed
$2-$5 million

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Profits

Geographical Preferences:
Ontario

Industry Preferences

Computer Related:
Software related
Consumer:
Consumer products

Genetic Engineering:
Food-related
Medical-related

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Trust establishments

Businesses Excluded:
Service industry

Methods of Compensation:
Return on investment is most important, but also charge fees.

BLACKBURN MARKETING SERVICES INC.

1 St. Clair Ave. E.
Toronto, Ontario M4T 2V7
416-923-7944

Contacts:
William Goldstein, President

Firm Information:
Year Founded: 1989
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator
but will also invest in deals
created by others

Types of Financings:
Seed
Startup financing
First stage financing

Minimum Investment: Less than $100 000

Preferred Investment: $100-$500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even

Geographical Preferences:
Ontario

Industry Preferences

Communications:
Direct marketing

Computer Related:
Service related

Miscellaneous:
Publishing

Methods of Compensation:
Return on investment is a primary concern;
do not charge fees

CIBC WOOD GUNDY CAPITAL

BCE Place
161 Bay Street
Box 500
Toronto, Ontario M5J 2S8
416-594-8022

Contacts:
Alan Wearing, Director
John Breen, Director
Ken Kilgor, Director

Firm Information:
Year Founded: 1989
Type: Investment/merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): Over $20 million
Profit & Loss: Profit

Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications
Commercial communications
Broadcasting

Consumer:
Consumer products
Consumer services

Energy/Natural Resources:
Alternative energy
Oil & gas exploration and production
Co-generation

Industrial Products & Equipment:
Chemicals and materials
Pollution & waste managements systems and services

Medical/Health Related:
Diagnostic/therapeutic products or services
Medical Labs
Nursing Retirement Homes

Miscellaneous:
Wholesaling, distribution
Import & export companies
Publishing
Transportation

Methods of Compensation:
Return on investment is most important, but also charge fees for closing, service, etc.

CANADIAN CORPORATE FUNDING LIMITED

70 University Avenue, Suite 1450
Toronto, Ontario M5S 2M4
416-977-1450

1000 Sherbrooke Street West, Suite 2210
Montreal, Quebec H3A 2R7
514-287-9884

Contacts:
Paul J. Lowenstein, President (Montreal)
Grant Brown, Exec. Vice President (Toronto)
David Baskin, Senior Vice President (Toronto)
Steve Peck, Senior Vice President (Toronto)
Rod Middleton (Toronto)
Michel Morin (Montreal)
André Laforge (Montreal)
Gabe Sagratini (Montreal)
Guy Bernier (Montreal)

Firm Information:
Year founded: 1979
Capital under management: $650 million
Investments (1990): 80
Amount invested (1990): $110 million
Type: Merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $2-$10 million

Preferred Investment (LBO): $10-$50 million

Minimum Operating Data:
Annual Sales: > $3 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer:
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Metal fabrication
Construction and building materials
Forest products
Distribution
Finance & Insurance
Publishing
Specialty consulting
Transportation

Businesses Excluded:
Natural resources
Early stage
Leading edge technology
Real estate

Methods of Compensation:
Return on investment is most important, but also charge fees.

THE CANADIAN MEZZANINE FUND

Toronto-Dominion Bank Tower
Suite #5501
Toronto Dominion Centre
Toronto, Ontario M5K 1E7
416-367-3617

Contacts:
John Greenwood, Partner

Firm Information:
Type: Investment fund

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financing:
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): Over $30 million
Profit & Loss: Profit

Geographical Preferences:
National

Industry Preferences

No preference

Business Excluded:
Real estate
Commodities
Venture capital

CANADIAN VENTURE CAPITAL CORPORATION INC.

3365 Harvester Road
Burlington, Ontario L7N 3N2
416-639-3920

Contact(s):
James Stewart, President
Gary Wade, Vice President

Firm Information:
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: over $5 million
Profit & Loss: Profits

Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export
Finance and insurance
Publishing
Real estate
Specialty consulting
Transportation

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

CAPITAL MARKETS WEST INC.

Suite 885, 4445 Calgary Trail S.
Edmonton, Alberta T6H 5R7
403-436-9330

Contacts:
E.A. Clarke, CEO
K.W. Brown, CFO

Firm Information:
Year founded: 1980
Capital under management: $3.5 million
Investments(1990): 3
Amount invested (1990): $600 000
Type: Private venture capital firm
(Becoming public in April, 1989)

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
(Usually companies up to 1 year old)

Minimum Investment: Less than $100 000

Preferred Investment: $100 000-$250 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses

Geographical Preferences: Alberta

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Technology related to exploration and production
Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Industrial automation
Pollution and waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Drug delivery
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Education related
Publishing
Specialty consulting
Transportation

Businesses Excluded:
Real estate
Direct mineral production

Methods of Compensation:
Return on investment is most important, but also charge fees.

CAPITECQ

1550 Metcalfe
Suite #500
Montreal, Quebec H3A 1T5
514-848-1806

Contacts:
Jean-Louis Bouthillette, President
Andre Cadieux, Vice-President

Firm Information:
Year Founded: 1990
Capital Under Management: $20 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
First stage
Second stage

Minimum Investment: $500 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Loss

Geographical Preferences:
Quebec

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Energy conservation

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution & waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products/services
Drug delivery

Methods of Compensation:
Return on investment is most important, do not charge fees

CENTRAL CAPITAL CORPORATION

P.O. Box 38, Suite 3800, First Canadian Place
Toronto, Ontario M5X 1G4
416-364-4400

Contact:
Richard Hazell

Firm Information:
Year founded: 1986
Capital under management: $250 million
Type: Investment banking or merchant "banking" firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1 - $10 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences: No preference

Industry Preferences

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Industrial Products & Equipment:
Equipment and machinery
Packaging materials and systems
Pollution and waste management systems

Medical/Health Related:
Diagnostic/therapeutic products/services
Nursing/retirement homes

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Real estate

Businesses Excluded:
Software

Methods of Compensation:
Return on investment is most important, but also charge fees.

CITIBANK CANADA, INVESTMENT CAPITAL DIVISION

123 Front Street West, Suite 1900
Toronto, Ontario M5J 2M3
416-947-5756

Contacts:
Victor Roskey, Vice President
Jim Wooder, Vice President

Firm Information:
Year founded: 1971
Type: Venture capital subsidiary of commercial bank

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

LBO Financing:
Preferred size of investment $5 million
Sales range of company to be financed $50 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related
Cable TV

Computer Related:
Hardware related
Software related
Service related
Low-tech or high-market share

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related

Energy/Natural Resources:
Drilling and exploration services
Energy conservation
Oil and gas exploration and production

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems and services
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Medical labs

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export companies
Publishing
Transportation

Businesses Excluded:
Very high technology risks
Financial services

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

CROWN LIFE INSURANCE CO.

160 Bloor Street East, 10th Floor
Toronto, Ontario M4W 1B9
416-928-4500

Contact:
J.B. Don Purdy, Vice President,
Special Investments

Firm Information:
Year founded: 1980
Capital under management: $65 million
Investments (1989): 7
Amount invested (1989): $14 million
Type: Venture capital division of an insurance company

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
First stage financing
Second stage financing

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related
Fiber optics

Computer Related:
Hardware related
Software related
Service related

Consumer:
Specialty consumer sectors

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Oil and gas exploration and production

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Equipment and machinery
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Finance and insurance

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is most important, but also charge fees.

DISCOVERY ENTERPRISES INC.

Suite 400, 601 W. Cordova St.
Vancouver, British Columbia V6B 1G1
604-688-8464

Contacts:
David Scott, President
Dane Chauvel, Group Investment Manager
Jim Charlton, Vice President

Affiliation:
Year founded: 1986
Capital under management: $56 million
Investments (1990): 14
Amount invested (1990): $6.6 million
Type: Subsidiary of charitable foundation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
Second stage financing

Minimum Investment: Less than $100 000

Preferred Investment:
$100 000-$3 million depending on stage

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
British Columbia

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Technology related

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Applied technology manufacturing business with a British Columbia dimension

Methods of Compensation:
Return on investment is most important, but also charge fees.

FEDERAL BUSINESS DEVELOPMENT BANK-VENTURE CAPITAL DIVISION

P.O. Box 335, Stock Exchange Tower
Montreal, Quebec H4Z 1L4
514-283-3609

777 Bay Street, 29th Floor
Toronto, Ontario M5G 2C8
416-973-0031

601 West Hastings Street, Suite 700
Vancouver, British Columbia V6B 5G9
604-666-7815

Contacts:
Derek Douglas, Senior Manager, Vancouver
Theo Van De Kletersteeg, Senior Manger, Montreal
Jean Wilhelmy, Senior Manager, Montreal
Romer Silgardo, Senior Manager, Toronto

Firm Information:
Year founded: 1975
Capital under management: $85 million
Investments(1990): 43
Amount invested (1990): $45.5 million
Type: Government venture capital fund

Affiliation:
ACVCC
European Venture Capital Association
Asian Venture Capital Association

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financing:
Startup financing
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $1 million

Minimum Operating Data:
Annual Sales: $500 000
Annual Sales (LBO): $5-$15 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences: National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Transportation

Businesses Excluded:
Media
Real estate
Mineral, oil and gas exploration
Lumber/Forestry

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

FONDS DE SOLIDARITE DE LA FTQ

1550 rue Metcalfe, bureau 1100
Montreal, Quebec H3A 1X6
514-285-8700

Contact: Denis Dionne, Vice President

Firm Information:
Year founded: 1983
Capital under management: $300 million
Investments (1990): 70
Amount invested (1990): $100 million
Type: Labour sponsored

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Startup financing
First stage financing
Second stage financing

Minimum Investment: Less than $100 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $2 million

Minimum Operating Data:
Annual Sales: Nominal
Annual Sales (LBO): $10 million
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Quebec

Industry Preferences

Communications:
Commercial communications

Computer Related:
Hardware related
Software related

Consumer:
Consumer products
Specialty consumer sectors

Electronic Components and Instrumentation:
Computer related

Energy/Natural Resources:
Alternative energy

Genetic Engineering:
Agricultural/animal biotechnology
Industrial biotechnology

Industrial Products & Equipment:
Equipment and machinery
Industrial automation
Pollution and waste management systems
Robotics/vision systems

Medical/Health Related:
Diagnostic/therapeutic products/services
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Real estate

Businesses Excluded:
None if in Quebec

Methods of Compensation:
Return on investment is most important, but also charge fees.

THE GREAT-WEST LIFE ASSURANCE CO.

100 Osborne Street North
Winnipeg, Manitoba R3C 3A5
204-946-8550

Contacts:
Gary N. Coopland, Vice President
Paul Sweatman, Assistant Manager

Firm Information
Capital under management: $50 million
Investments(1990): 7
Amount invested (1990): $20 million
Type: Insurance company

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing
(Usually companies 1-3 years old)
Mezzanine financing
Leveraged buyout

Minimum Investments: $1 million

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Break even

Geographical Preferences:
National

Industry Preferences

Communications:
Commercial communications

Energy/Natural Resources:
Alternative energy
Oil and gas exploration and production

Genetic Engineering:
Agricultural/animal biotechnology

Industrial Products & Equipment:
Pollution and waste management systems and services

Miscellaneous:
Metal fabrication

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

GRIEVE HORNER BROWN ASCULAI

8 King Street East, Suite 300
Toronto, Ontario M5C 1B5
416-362-7668

Contacts:
Anthony Brown
Alan Grieve
Ralph Horner
Samuel Asculai

Firm Information:
Year founded: 1976
Capital under management: $8 million
Investments (1990): 12
Amount invested (1990): $3 million
Type: Private venture capital firm

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
First stage financing
Second stage financing

Minimum Investment: $200 000

Preferred Investment: $250 000-$500 000

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Central Canada
U.S. (Eastern)

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Consumer:
Consumer products
Consumer services

Genetic Engineering:
Agricultural/animal biotechnology
Medical-related

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Publishing
Financial services
Media
Information services

Methods of Compensation:
Return on investment is most important, but also charge fees.

GROUPE CANTAL INC.

4755 boul. Port-Royal
Ville de Bécancour, Quebec G0X 2T0

Contact:
Bertrand R. Beaulieu

Firm Information:
Year founded: 1981
Capital under management: $3 million
Investments (1989): 4
Amount invested (1989): $1.8 million
Type: Subsidiary of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $250 000-$500 000

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits

Geographical Preferences:
Quebec

Industry Preferences

Industrial Products & Equipment:
Equipment and machinery
Pollution and waste management systems
Controls and sensors

Miscellaneous:
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Finance and insurance
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

HELIX INVESTMENTS LIMITED

350 Bay Street, #1300
Toronto, Ontario M5H 3S6
416-367-1290

Contacts:
Donald C. Webster, Chairman
Michael J. Needham, President
Reid M. Drury, Vice President

Firm Information:
Year founded: 1988
Capital under management: $75 million
Investments (1990): 42
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Startup financing
First stage financing
Second stage financing

Minimum Investment: $100 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Western Canada
Central Canada
U.S.A.

Industry Preferences

Communications:
Data communications
Commercial communications

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution/waste management systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/service
Drug delivery
Pharmaceuticals

Miscellaneous:
Construction and building materials
Education related
Publishing
Transportation

Businesses Excluded:
Mineral Extraction
Real Estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

INNOVATION ONTARIO CORPORATION

56 Wellesley St. W., 7th Floor
Toronto, Ontario M7A 2E9
416-326-1025

Contact:
Jim Orvill, Managing Director
Bob Roy
Brian Parrott
Karen Zavitz

Firm Information
Year founded: 1986
Capital under management: $27 million
Investments (1990): 162
Amount invested (1990): $27 million
Type: Crown related

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Startup financing
First stage financing

Minimum Investment: n/a

Preferred Investment: $100 000-$250 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even

Geographical Preferences:
Ontario

Industry Preferences

Communications:
Data communications
Commercial Communications

Computer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related
Programmable controls

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical related
Industrial biotechnology

Medical/Health Related:
Diagnostic/therapeutic products/services

Miscellaneous:
Construction and building materials
Education related

Businesses Not Considered:
Retail
Franchise
Acquisition
Real Estate

Methods of Compensation:
Return on investment is of primary concern.

IPS INDUSTRIAL PROMOTION SERVICES LTD.

797 Don Mills Road
Suite 904
Don Mills, Ontario M3C 1V2
416-422-5026

Contacts:
Nizar Alibhai, President
Shamsh Dhala, Vice President
Firm Information:
Year Founded: 1979
Capital Under Management: $5 million
Investments (1990): 4
Amount Invested (1990): $1 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role in deals created by others

Types of Financing:
Second stage
Leveraged buyout

Minimum Investment: $100 000

Preferred Investment: $250-$500 000

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales: (LBO): $6-$10 million
Profit & Loss: Profit

Geographical Preferences:
National

Industry Preferences

Communications:
Commercial communications

Consumer:
Consumer services
Specialty consumer sectors

Energy/Natural Resources:
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related

Industrial Products & Equipment
Equipment and machinery
Packaging materials and systems
Pollution & waste management systems and services

Medical/Health Related
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Metal fabrication
Wholesaling, distribution, import & export companies
Finance and insurance
Transportation

Methods of Compensation:
Return on investment is most important, but also charge fees for closing, services, etc.

MDS HEALTH VENTURES INC.

100 International Blvd.
Etobicoke, Ontario M9W 6J6
416-675-7661

Contact:
Richard Lockie

Firm Information
Year founded: 1988
Capital under management: $23 million
Investments (1990): 15
Amount invested (1990): $19 million
Type: Venture capital subsidiary or affiliate of industrial corporation

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Type of Financing:
First stage financing

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Nominal

Geographical Preferences:
No preference

Industry Preferences

Genetic Engineering
Medical-related

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

MANVEST LTD.

840 - 6th Avenue S.W.
8th Floor
Calgary, Alberta T2P 3E5
403-294-5444

Contacts:
F.P. Mannix, Chairman
W.P. Robinson, V.P. & General Manager
M.A. Dickson, Secretary & General Counsel

Firm Information:
Year Founded: 1978
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal orginator or investor in deals created by others

Types of Financings:
Startup
First stage
Second stage
Mezzanine
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$5 million

Minimum Operating Data:
Annual Sales (LBO): $20 million

Geographical Preferences:
No preference

Industry Preferences:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Pollution & waste management systems and services
Controls and sensors

Miscellaneous:
Forest products
Metal fabrication
Education related

Finance and insurance
Publishing
Transportation

Business Excluded:
Oil and gas
Mining
Retail
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees

MIDDLEFIELD VENTURES LIMITED

First Canadian Place, P.O. Box 192
Toronto, Ontario M5X 1A6
416-362-8602

Contacts:
W. Garth Jestley, President

Firm Information:
Year founded: 1985
Capital under management: $32 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings Preferred:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Preferred Investment (LBO): $1-$3 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences: National

Industry Preferences

Communications:
Commercial communications

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems

Medical/Health Related:
Diagnostic/therapeutic products/services

Miscellaneous:
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export

Businesses Excluded:
Computer related
Real estate

Methods of Compensation:
Return on investment is of primary concern.

NATIVE VENTURE CAPITAL CO. LTD.

#505, 10408-124 Street
Edmonton, Alberta T5N 1R5
403-488-7101

Contacs:
Milt Pahl, President

Firm Information:
Year founded: 1983
Capital under management: $10 million
Privately held

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role in deals created by others

Types of Financings:
Startup financing
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment:
No minimum

Preferred Investment: $100 000-$250 000

Preferred Investment (LBO): $300 000

Minimum Operating Data:
Profit & Loss: Profits

Geographical Preferences:
Alberta

Industry Preferences

Aboriginally owned business

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

NORANDA ENTERPRISE LIMITED

Suite 1128, Royal Bank Centre,
90 Sparks Street
Ottawa, Ontario K1P 5T8
613-230-6205

Contacts:
D. Cameron, President
L.R. Charlebois, Vice President
L.M. Copeland, Director of Special Projects

Firm Information:
Year founded: 1973
Capital under management: $40 million
Investments (1990): 11
Amount invested (1990): $40 million
Type: Venture capital subsidiary or affiliate of industrial corporation

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing

Minimum Investment: $500 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: $1.5 million
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
National
U.S. (Northeast)

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Industrial automation
Robotics/vision systems
Advanced engineering materials

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

NOVACAP INVESTMENTS INC.

1981 McGill College
Montreal, Quebec H3A 2X1
514-282-1383

Contacts:
Marc Beauchamp, President
Jacques Tousignant, Vice President
Jean-Pierre Chartrand, Vice President

Firm Information:
Year founded: 1981
Capital under management: $35 million
Investments (1990): 7
Amount invested (1990): $8.5 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator

Types of Financings:
Startup financing
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $1-8 million

Preferred Investment (LBO): $5 Million

Minimum Operating Data:
Annual Sales: $3 million
Annual Sales (LBO): $10 million
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences:
Central Canada

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Genetic Engineering:
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Pollution and waste management systems

Medical/Health Related:
Diagnostic/therapeutic products/services

Miscellaneous:
Metal fabrication
Prefer manufacturing instead of services

Businesses Excluded:
Real estate
High capital intensive

Methods of Compensation:
Return on investment is most important.

ONTARIO TRAINING CORPORATION

1099 Bay Street
Toronto, Ontario M5S 2B3
416-975-9260

Contact:
Bob MacBean, Vice President, Investments

Firm Information
Year founded: 1990
Capital under management: $3.2 million/year
Type: Crown related

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
Second stage financing

Minimum Investment: $50 000

Preferred Investment: $100 000-$500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Profits

Geographical Preferences:
Ontario

Industry Preferences

Miscellaneous:
Education related
Training products and technologies

Businesses Not Considered:
Those not related to training.

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

PENFUND PARTNERS INC.

1 University Avenue
Suite #601, Box 41
Toronto, Ontario M5J 2P1
416-865-0707

Contacts:
I.D. Collier, V.P. & Director
D.M. Rolfe, V.P. & Director
J.F. Boadway, V.P. & Director
J.H. McIlveen, Assistant V.P.

Firm Information:
Year Founded: 1988
Capital Under Management: $55 million
Investments (1990): 10
Amount Invested (1990): $27 million
Type: Investment/merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal orginator or investor in deals created by others

Types of Financings:
Second stage
Mezzanine
Leveraged buyout

Minimum Investment: $500 000

Preferred Investment: $1-$5 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): Over $10 million
Profit & Loss: Profit

Geographical Preferences:
No preference

Industry Preferences

Communications:
Data Communications
Commercial communications
Telephone related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution & waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Education related
Wholesaling, distribution, import and export companies
Finance and insurance
Publishing
Specialty consulting
Transportation

Business Excluded:
Startup
Real estate
High-tech/computer

Methods of Compensation:
Return on investment is most important, but also charge fees for closing, service, etc.

THE PINNACLE GROUP

109 Erb Street West
Waterloo, Ontario N2L 1T6
519-746-3080

Contacts:
Kim Bauer

Firm Information:
Year Founded: 1983
Capital Under Management: $7 million
Investments (1990): 4
Amount Invested (1990): $1.9 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal orginator

Types of Financings:
Second stage
Leveraged buyout

Preferred Investment: $100-$500 000

Minimum Operating Data:
Annual Sales: $1.5 million
Annual Sales: (LBO): $5-$10 million
Profit & Loss: Profit

Geographical Preferences:
Ontario (southwestern)

Industry Preferences

Consumer:
Consumer Products
Specialty consumer sectors

ndustrial Products & Equipment:
Equipment and machinery
Packaging materials and systems
Pollution & waste management systems and services

Medical/Health Related:
Diagnostic and therapeutic products/services

Miscellaneous:
Metal fabrication
Construction and building
Wholesaling, distribution, import and export companies
Finance and insurance
Real estate
Specialty consulting

Methods of Compensation:
Return on investment is most important, but also charge fees for closing, services, etc.

POWER FINANCIAL CAPITAL CORPORATION

800 Place Victoria
Stock Exchange Tower
P.O. Box 206
Montreal, Quebec H4Z 1E3
514-286-7438

Contacts:
Denis Giroux, President
Michael Badham, Vice-President
Jean Dumoulin, Vice-President

Firm Information:
Year Founded: 1988
Capital Under Management: $50 million
Type: Investment/merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal orginator but will also invest in deals created by others

Types of Financings: Mezzanine financing

Minimum Investment: $1 million

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): $100-$200 million
Profit & Loss: Profit

Geographical Preferences:
National

Industry Preferences

Communications:
Advertising related

Consumer:
Consumer products
Consumer services

Energy/Natural Resources:
Oil & gas exploration and production

Genetic Engineering:
Food-related

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Pollution & waste management systems and services

Medical/Health Related:
Diagnostic and therapeutic products services
Pharmaceuticals

Miscellaneous:
Forest products
Metal fabrication
Publishing
Transportation

Business Excluded:
Construction related
Startups
Computer related

Methods of Compensation:
Return on investment is most important, but also charge fees for closing, services, etc.

QUORUM FUNDING CORPORATION

150 King Street West
Suite 1505, P.O. Box 5
Toronto, Ontario M5H 1J9
416-971-6998

650 West Georgia Street, Suite 3200
Vancouver, British Columbia V6B 4N9
604-687-1919

Bow Valley Square 4, Suite 1500,
250-6th Ave. S.W.
Calgary, Alberta T2P 3H7
403-262-8088

208-93 Lombard Avenue East
Winnipeg, Manitoba R3C 3B1
204-942-1300

3424 Drummond, Suite 300
Montreal, Quebec H3G 1Y1
514-849-4965

1 Church Hill
P.O. Box 6267
St. John's, Newfoundland A1C 6J9
709-753-7051

Contacts:
J.R. Yarnell, President, Toronto
C.H. Hebb, President, Vancouver
R. Elhert, President, Calgary
J.C. Thompson, President, Winnipeg
R. Pardy, President, St. John's

Firm Information:
Year founded: 1985
Capital under management: $107 million
Investments (1990): 23
Amount invested (1990): $67 million
Type: Private venture capital firm

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Type of Financing:
Mezzanine

Minimum Investment: $250 000

Preferred Investment: $500 000-$3 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation
Oil and gas exploration and production

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems

Industrial automation
Pollution and waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products or services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export companies
Publishing
Real estate
Transportation

Businesses Excluded:
Resource exploration

Methods of Compensation:
Return on investment is most important, but also charge fees.

RESOURCECAN LIMITED

Box 5367, 10 Fort William Place
Baine Johnston Centre, St. John's, Nfld.
709-576-1287

Contact:
Hubert G. Harnett, President

Firm Information
Year founded: 1981
Capital under management: $6 million
Investments (1990): 5
Amount invested (1990): $4 million
Type: Public venture capital firm (T.S.E.)

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
First stage financing
Second stage financing
Leveraged buyout

Minimum Investment: $100 000

Preferred Investment: $250 000-$500 000

LBO Financing:
Preferred size of investment $500 000
Sales range of company to be financed $10 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Energy/Natural Resources:
Drilling and exploration services

Industrial Products & Equipment:
Chemicals and materials
Pollution and waste management systems and services

Miscellaneous:
Agriculture, forestry, fishing
Metal fabrication
Real estate
Transportation

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

ROYAL BANK CAPITAL CORPORATION

Royal Bank Plaza, South Tower, 13th Floor
Toronto, Ontario M5J 2J5
416-974-6230

La Corporation Placements Banque Royale
1 Place Ville Marie, 8th Floor, North Wing
Montreal, Quebec H3C 3A9
514-874-5081

Suite 1170 Park Place
666 Burrard Street
Vancouver, British Columbia V6C 2X8
604-665-0460

Contacts:
Jacques Sayegh,
Executive Vice President, Toronto
Barrie G. Laver,
Senior Manager, Investments, Toronto
Stephen D. Lieff,
Senior Manager, Investments, Toronto
Z. Sam Ruttonsha,
Senior Manager, Investments, Toronto
Daniel Laporte,
Vice President, Montreal
Jean-Claude Arpin,
Vice President, Montreal
Darrell J. Elliott,
Vice President, Western Canada

Firm Information:
Year founded: 1983
Capital under management: $150 million
Investments: 36

Amount invested (1990): $80 million
Type: Venture capital subsidiary of commercial bank

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $2-$10 million

Preferred Investment (LBO): $2-$10 million

Minimum Operating Data:
Annual Sales: Over $5 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related
Cable television, radio, television, microwave

Computer Related:
Service related
Office automation, specialized turnkey systems

Consumer:
Specialty consumer sectors
Household products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Fibre optics
Laser related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Oil and gas exploration and production
Technology related products/equipment

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology
Testing services

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals
Hospital/clinical labs and management

Miscellaneous:
Agriculture, forestry, fishing
Metal fabrication
Construction and building materials
Publishing
Transportation

Businesses Excluded:
Computer utilities
Financial services
Real estate

Methods of Compensation:
Return on investment is most important, but also charge fees.

ROYAL TRUST ENTERPRISE CAPITAL

P.O. Box 7500, Station A, 55 King Street West
Toronto, Ontario M5W 1P9
416-864-7499

Contacts:
Pat Nakagawa, Managing Partner
Bill Danis, Partner

Firm Information:
Year founded: 1989
Capital under management: $15 million
Type: Subsidiary of trust company

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $300 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: $2-$3 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Energy/Natural Resources:
Alternative energy
Energy conservation
Environmental related

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export
Publishing
Real estate
Specialty consulting
Transportation

Methods of Compensation:
Return on investment is most important, but also charge fees.

ROY-L MERCHANT GROUP INC.

22 St. Clair Avenue East, Suite 1700
Toronto, Ontario M4T 2S3
416-925-9270

Contacts:
Peter Snucins, President
Peter Tolnai, Vice President
Pat Michaud, Vice President

Firm Information:
Year founded: 1987
Capital under management: $34 million
Investments (1990): 12
Type: Merchant banking firm

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Mezzanine financing
Leveraged Buyout

Minimum Investment: $2 million

Preferred Investment: $5-$10 million

Preferred Investment (LBO): $7.5-$10 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): $50-$300 million
Profit & Loss: Profits

Geographical Preferences:
Central Canada

Industry Preferences

Communications:
Data communications

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Industrial Products & Equipment:
Equipment and machinery

Medical/Health Related:
Pharmaceuticals

Miscellaneous:
Metal fabrication
Wholesaling, distribution, import and export

Methods of Compensation:
Return on investment is most important, but also charge fees.

ROYNAT INC.

1 First Canadian Place,
P.O. Box 51,
Suite 1040
Toronto, Ontario M5X 1B1
416-363-5404

1800 McGill College Avenue
Suite 1800
Place Montreal Trust
Montreal, Quebec H3A 3T6
514-987-4900

Contacts:
Earl Lande, Vice President, Toronto
Luc Charron, Vice President, Montreal

Firm Information
Year founded: 1962
Capital under management: $1.8 billion
Investments (1990): 26
Amount invested (1990): $26 million
Type: Merchant banking firm

Affiliation: ACVCC

Project Preferences

Role in Financing
Prefer role as deal originator but will also invest in deals created by others

Types of Financings
Mezzanine financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $1 million

Minimum Operating Data
Annual Sales: $1.5 million
Profit & Loss: Profits

Geographical Preferences: National

Industry Preferences

Communications
Commercial communications
Telephone related

Consumer
Consumer products
Specialty consumer sectors

Industrial Products & Equipment
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics vision systems

Medical Health Related: Pharmaceuticals

Miscellaneous
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Publishing
Real estate
Transportation

Businesses Excluded
Computer related
Start-ups
Turnarounds

Methods of Compensation
Return on investment is most important, but also charge fees

SB CAPITAL CORPORATION LTD.

2 Bloor Street East, Suite 3304
Toronto, Ontario M4W 1A7
416-967-5439

Contacts
A. George Fells, President
Mitch Kostuch, Executive Vice President

Firm Information
Capital under management: $60 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing
Prefer role as deal originator but will also invest in deals created by others

Types of Financings
Seed
Research & development
Startup financing
First stage financing
Second stage financing
Leveraged buyout

Minimum Investment: Less than $100 000

Preferred Investment: $500 000-$1 million

Preferred Investment (LBO): $1-$2 million

Minimum Operating Data
Annual Sales: Nominal
Profit & Loss: Break even

Geographical Preferences
No preference

Industry Preferences

Communications
Data communications
Commercial communications
Telephone related

Computer Related
Hardware related
Software related
Service related

Consumer
Consumer products
Consumer services
Specialty consumer sectors

Electronic Components and Instrumentation
Analytical and scientific instrumentation
Computer related
Military related

Energy Natural Resources
Alternative energy
Drilling and exploration services
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export
Publishing
Transportation

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

SCHRODER VENTURES CANADA LIMITED

Suite 3220, 630 René-Levesque Blvd. W.
Montreal, Quebec H6B 1S6
514-397-0700

Contacts:
Gordon S. Byrn, Managing Partner
Jean E. Douville, Partner
Mathieu Gauvin, Director
Cécile Ducharme, Director

Firm Information:
Year founded: 1987
Capital under management: $81.5 million
Investments (1990): 11
Amount invested (1990): $40 million
Type: Investment banking or merchant banking firm

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Type of Financing:
Leveraged buyout

Minimum Investment: $3 million

LBO Financing:
Preferred size of investment $5-$20 million
Sales range of company to be financed $20 million

Minimum Operating Data:
Annual Sales: Over $5 million
Profit & Loss: Profits

Geographical Preferences:
No preference

Industry Preferences

No preferences

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is most important, but also charge fees.

SOCCRENT

3251, boul. St-Francois C.P. 933
Jonquiere, Quebec G7X 7W8
418-548-1155

Contact:
Marc Lalancette, Vice President, Finance

Firm Information:
Year founded: 1986
Capital under management: $10 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Startup financing
First stage financing
(Usually companies up to 1 year old)

Minimum Investment:
Less than $100 000

Preferred Investment:
$100 000-$250 000

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Saguenay - Lac-St-Jean

Industry Preferences

Communications:
Commercial communications

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Genetic Engineering:
Agricultural/animal biotechnology

Industrial Products & Equipment:
Equipment and machinery

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

SOCIETE D'INVESTISSEMENT DESJARDINS

2 Complexe Desjardins, Box 760
Montreal, Quebec H5B 1B8
514-281-7131

Contact:
Pierre Brunet, Senior Vice President, Investments and Development
Claude Rheaume, Vice President, Investments

Firm Information:
Year founded: 1974
Capital under management: $150 million
Investments (1990): 26
Amount invested (1990): $98 million
Type: Subsidiary of commercial bank

Affiliation: ACVCC

Industry Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings Preferred:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $250 000

Preferred Investment: $1-$5 million

Preferred Investments (LBO): $3 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss: Profits

Geographical Preferences:
Quebec

Industry Preferences

Communications:
Commercial communications
Telephone related

Computer Related:
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems

Medical/Health Related:
Pharmaceuticals

Miscellaneous:
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Transportation

Businesses Excluded:
Natural resources
Real estate
Finance

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

SOCIETE EN COMMANDITE CAPIDEM QUEBEC INC.

1595 boul. Wilfrid Hamel
Quebec City, Quebec G1N 3Y7
418-681-1910

Contacts:
Robert P. Morin
Gilles Desharnais

Firm Information:
Year founded: 1990
Capital under management: $10 million
Investments (1990): 1
Amount invested (1990): $500 000
Type: Private firm

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Startup financing
First stage financing

Minimum Investment: Less than $100 000

Preferred Investment: $100 000-$250 000

LBO Financing:
Preferred size of investment $500 000
Sales range of company to be financed
$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Break even

Geographical Preferences:
Quebec

Industry Preferences

Communications:
Data communications

Computer Related:
Hardware related

Consumer:
Consumer products

Electronic Components and Instrumentation:
Analytical and scientific instrumentation

Energy/Natural Resources:
Any related project

Genetic Engineering:
Industrial biotechnology

Industrial Products & Equipment:
All manufacturing

Medical/Health Related:
Products manufacturing

Miscellaneous:
Metal fabrication
Construction and building materials
Publishing

Businesses Excluded:
Retail
Drilling, exploration
Real estate

Methods of Compensation:
Return on investment is of primary concern;
do not charge fees.

SPURT INVESTMENT FUND I

c/o Alta-Can Telecom Inc., General Partner
26H, 411-1st Street S.E.
Calgary, Alberta T2G 4Y5
403-530-3663

Contacts:
Dr. Michael E. Raymont,
President and CEO
David F. Campbell,
Director of Finance
Terry L. Umbach,
Director of Technology
Peter M. Stardeven,
Special Consultant

Firm Information:
Year founded: 1985
Capital under management: $5 Million
Investments (1990): 6
Amount invested (1990): $3 Million
Type: Private Venture Capital Fund

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or
investor in deals created by others

Types of Financings:
Seed
Startup financing
Mezzanine financing

Minimum Investment: Less than $100 000

Preferred Investment: $250 000-$500 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 1-2 years)

Geographical Preferences:
Alberta

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Industrial Products & Equipment:
Industrial automation
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery

Businesses Excluded:
Non-tech business

Methods of Compensation:
Return on investment is of primary concern;
do not charge fees.

T.D. CAPITAL GROUP

P.O. Box 1, 9th Floor, T.D. Center
Toronto, Ontario M5K 1A2
416-982-6735

Contacts:
Peter A. Scott, President
David McCann, Vice President
David Fu, Vice President

Firm Information:
Year founded: 1972
Capital under management: $120 million
Investments (1990): 65
Amount invested (1990): $120 million
Type: Venture capital subsidiary of commercial bank

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment:
$1 - $3 million equity
$3 - $10 million debt

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Break even

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Telephone related

Computer Related:
Systems businesses

Consumer:
Limited interest but special situations will be considered

Energy/Natural Resources:
Alternative energy
Energy conservation

Industrial Products & Equipment:
Pollution and waste management systems

Medical/Health Related:
Diagnostic/therapeutic products/services
Medical laboratories, nursing homes, retirement homes

Miscellaneous:
Forest products
Metal fabrication

Businesses Excluded:
Start-up software companies
Biomedical companies

Methods of Compensation:
Return on investment is most important, but also charge fees

TRUCENA INVESTMENTS LIMITED

Suite 1020, Exchange Tower, P.O. Box 199
2 First Canadian Place,
Toronto, Ontario M5X 1A8
416-869-3945

Contacts:
John Puddington, President
Doug Moore, Vice President

Firm Information:
Year founded: 1969
Type: Private investment company

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings Preferred:
Mezzanine financing
Leveraged buyout

Minimum Investment: $1 million

Preferred Investment: $2-$5 million

Minimum Operating Data:
Annual Sales: Over $3 million
Annual Sales (LBO): $20 million
Profit & Loss: Profits

Geographical Preferences:
National

Industry Preferences

Communications:
Commercial communications
Telephone related

Consumer:
Consumer products
Consumer services

Energy/Natural Resources:
Oil and gas exploration and production

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery

Packaging materials and systems
Industrial automation
Pollution and waste management systems
Controls and sensors

Miscellaneous:
Metal fabrication
Wholesaling, distribution, import and export companies
Finance and insurance
Publishing
Transportation

Businesses Excluded:
Real estate
Mining
Retail

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

TRUST GENERAL DU CANADA

100 University
Montreal, Quebec H3B 2G7
514-871-7854

Contacts:
Guy Gendron, Assistant Vice President Corporate Finance
Jacques Hudon, Vice President Corporate Finance

Firm Information:
Type: Trust company

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Mezzanine financing
Leveraged buyout

Minimum Investment: $500 000

Preferred Investment: $1-$3 million

LBO Financing:
Sales range of company to be financed:
$50-$100 million

Minimum Operating Data:
Annual Sales: Over $3 million
Profit & Loss: Profits

Geographical Preferences:
Ontario
Quebec
U.S.

Industry Preferences

Consumer:
Consumer products
Consumer services
Specialty consumer sectors (e.g., retail franchise, etc.)

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation

Medical/Health Related:
Pharmaceuticals

Miscellaneous:
Wholesaling, distribution, import and export companies

Methods of Compensation:
Return on investment is most important, but also charge fees.

VENCAP EQUITIES ALBERTA LTD.

1980, 10180-101 Street
Edmonton, Alberta T5J 3S4
403-420-1171

2000, 800-5th Avenue S.W.
Calgary, Alberta T2P 3T6
403-237-8101

Contact:
S. Slator, President, Edmonton

Firm Information:
Year founded: 1983
Capital under management: $310 million
Investments (1990): 41
Amount invested (1990): $69 million
Type: Publicly traded firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
Seed
Startup financing
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $100 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Losses (Profits after 2 years)

Geographical Preferences:
Alberta

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Education related
Wholesaling, distribution, import and export companies
Finance and insurance
Publishing
Real estate
Specialty consulting
Transportation

Businesses Excluded:
Oil and gas exploration
Real estate development
Banking and financial institutions

Methods of Compensation:
Return on investment is primary concern.

VENGROWTH CAPITAL FUNDS

200 - 145 Wellington Street West
Toronto, Ontario M5J 1H8
416-971-6656

Contacts:
R.E. Stone, Managing Partner
H.G. Mortimore, Managing Partner
T.E. Little, Partner
B.W. Ashley, Investment Manager
A.W. Lupyrypa, Investment Manager

Firm Information:
Year founded: 1982
Capital under management: $70 million
Investments (1990): 31
Amount invested (1990): $35.6 million
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings Preferred:
Second stage financing
Leveraged Buyouts

Minimum Investment: $500 000

Preferred Investment: $1-$3 million

Minimum Operating Data:
Annual Sales: $3 million
Profit & Loss:Losses (Profits after 1 year)

Geographical Preferences:
National
U.S. (Eastern)

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Service related

Consumer:
Consumer products
Consumer services
Specialty consumer sectors

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation
Oil and gas exploration and production

Industrial Products & Equipment:
Chemicals and materials

Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Controls and sensors

Miscellaneous:
Agriculture, forestry, fishing
Forest products
Metal fabrication
Construction and building materials
Wholesaling, distribution, import and export
Finance and insurance
Publishing
Specialty consulting
Transportation

Businesses Excluded:
Real estate

Methods of Compensation:
Return on investment is of primary concern; do not charge fees.

VENTURES WEST MANAGEMENT

250 - 375 Water Street
Vancouver, British Columbia V6B 5C6
604-688-9495

#880 - 410 22nd Street
Saskatoon, Saskatchewan S7K 5T6

Contacts:
M.J. Brown, President, Vancouver
Sam Znaimer, Partner, Vancouver
Mark H. Leonard, Vice President, Vancouver
Terry Grieve, Vice President, Saskatoon

Firm Information:
Year founded: 1973
Capital under management: $111 million
Investments (1990): 43
Amount invested (1990): $33 million

Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal originator but will also invest in deals created by others

Types of Financings:
Seed
Research & development
Startup financing
First stage financing
Second stage financing

Minimum Investment: Less than $100 000 (seed only)

Preferred Investment: $250 000-$1 million

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss:Losses (Profits after 2 years)

Geographical Preferences:
No preference

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
Hardware related
Software related
Service related

Consumer:
Consumer products
Consumer services

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related
Military related

Energy/Natural Resources:
Alternative energy
Drilling and exploration services
Energy conservation
Oil and gas exploration and production

Genetic Engineering:
Agricultural/animal biotechnology
Food-related
Medical-related
Industrial biotechnology

Industrial Products & Equipment:
Chemicals and materials
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution and waste management systems
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic/therapeutic products/services
Drug delivery
Pharmaceuticals

Miscellaneous:
Agriculture, forestry, fishing
Metal fabrication
Construction and building materials
Education related

Businesses Excluded:
Real Estate

Methods of Compensation:
Return on investment is of primary concern.

VISION CAPITAL FUND

2670 - 360 Main Street
Winnipeg, Manitoba R3C 3Z3
204-949-5350

Contacts:
James G. Oborne, Managing Partner

Firm Information:
Year Founded: 1987
Capital Under Management: $18 million
Investments (1990): 2
Amount Invested (1990): $375 000
Type: Private venture capital firm

Affiliation: ACVCC

Project Preferences

Role in Financing:
Prefer role as deal orginator but will also invest in deals created by others

Types of Financings:
Startup
First stage
Second stage
Leveraged buyout

Minimum Investment: $100 000

Preferred Investment: $250-$1 000 000

Minimum Operating Data:
Annual Sales: Nominal
Profit & Loss: Loss

Geographical Preferences:
Manitoba

Industry Preferences

Communications:
Commercial communications

Computer:
Hardware related
Software related

Consumer:
Consumer products
Consumer services

Electronic Components and Instrumentation:
Analytical and scientific instrumentation
Computer related

Energy/Natural Resources:
Drilling and exploration services

Industrial Products & Equipment:
Equipment and machinery
Packaging materials and systems
Industrial automation
Pollution & waste management systems and services
Robotics/vision systems
Controls and sensors

Medical/Health Related:
Diagnostic and therapeutic products/services

Miscellaneous:
Metal fabrication
Wholesaling, distribution, import and export companies
Publishing
Transportation

Business Excluded:
Real estate
Resource
Financial (banks, trusts, insurance)

Methods of Compensation:
Return on investment is primary concern; do not charge fees

WORKING VENTURES CANADIAN FUND INC.

65 St. Clair Avenue East
9th Floor
Toronto, Ontario M4T 2X3
416-929-7777

Contact:
Ron Begg, President
Jim Hall, Vice President, Investments

Firm Information:
Year founded: 1989
Type: Labour sponsored venture capital fund

Affiliation: ACVCC

Project Preferences

Role in Financing:
Will function either as deal originator or investor in deals created by others

Types of Financings:
First stage financing
Second stage financing
Mezzanine financing
Leveraged buyout

Minimum Investment: $100 000

Preferred Size of Investment:
$500 000-$1 million

Minimum Operating Data:
Annual Sales: $500 000
Profit & Loss: Losses (Profits after 1 year)

Geographical Preferences:
National

Industry Preferences

Communications:
Data communications
Commercial communications
Telephone related

Computer Related:
- Hardware related
- Software related
- Service related

Consumer:
- Consumer products
- Consumer services
- Specialty consumer sectors

Electronic Components and Instrumentation:
- Analytical and scientific instrumentation
- Computer related
- Military related

Energy/Natural Resources:
- Alternative energy
- Drilling and exploration services
- Energy conservation
- Oil and gas exploration and production

Genetic Engineering:
- Agricultural/animal biotechnology
- Food-related
- Medical-related
- Industrial biotechnology

Industrial Products & Equipment:
- Chemicals and materials
- Equipment and machinery
- Packaging materials and systems
- Industrial automation
- Pollution and waste management systems
- Robotics/vision systems
- Controls and sensors

Medical/Health Related:
- Diagnostic/therapeutic products/services
- Drug delivery
- Pharmaceuticals

Miscellaneous:
- Agriculture, forestry, fishing
- Forest products
- Metal fabrication
- Construction and building materials
- Education related
- Wholesaling, distribution, import and export companies
- Finance and insurance
- Publishing
- Real estate
- Specialty consulting
- Transportation

Methods of Compensation:
- Return on investment is of primary concern.